

# A HOME OF YOUR OWN GUIDE



---

**The National Home of Your Own Alliance,** established in 1993 at the University of New Hampshire's Institute on Disability, is a national technical assistance center and clearinghouse that focuses on homeownership and control for people with disabilities. The Alliance was created by a five-year cooperative agreement with the United States Department of Health and Human Services Administration on Developmental Disabilities. Twenty-three states receive ongoing support from the Alliance to develop pilot projects of homeownership.

# A HOME OF YOUR OWN GUIDE

---

**National**  
**Home of Your Own**  
**Alliance**

Institute on Disability/University Affiliated Program  
University of New Hampshire  
7 Leavitt Lane  
Durham, NH 03824-3522

# TABLE OF CONTENTS

<b>ACKNOWLEDGMENTS</b>	<i>i</i>
<b>PREFACE</b>	<i>ii</i>
<b>INTRODUCTION</b>	<i>iv</i>
<b>CHAPTER ONE: PREPARING FOR HOMEOWNERSHIP</b>	<b>1</b>
<b>Overview</b>	<b>3</b>
<b>Is Homeownership Right for You?</b>	<b>3</b>
Advantages	3
Disadvantages	6
Chart of advantages and disadvantages of homeownership	8
<b>What Will It Take for You to Buy a House?</b>	<b>9</b>
Initial planning	9
Looking at current and future income and expenses	10
The cost of purchasing a home	11
<b>What Types of Assistance Are Available?</b>	<b>15</b>
Down payment and closing cost assistance	15
Renovation and rehabilitation assistance	15
Types of assistance that may be available	16
<b>How Large a Mortgage Will You Qualify For?</b>	<b>17</b>
Your income	17
Your expenses	17
Budget worksheet	17
Worksheet explanation	21
Examples of Joe's worksheets	23
Your credit record	26
<b>How Can You Increase Your Borrowing Power?</b>	<b>28</b>
Identifying need	29
Getting pre-qualified by a lender	29
Blending resources	29
Chart of resources Joe used to purchase his home	30
Trusts	31
Resources others have used	31
Alternative financing mortgages	33
<b>Are You Ready for Homeownership?</b>	<b>36</b>
Questions	36
Checklist	36
<b>Summary</b>	<b>37</b>

<b>CHAPTER TWO: PLANNING</b>	<b>39</b>
<b>Overview</b>	<b>41</b>
<b>A Person-Centered Approach</b>	<b>42</b>
What is a person-centered approach?	42
<b>Stage 1: Laying the Groundwork</b>	<b>43</b>
Choosing a facilitator	43
Choosing a housing counselor/education provider	44
Deciding who will help	44
Creating personal profiles	44
<b>Stage 2: Meeting With People Who Provide Assistance</b>	<b>50</b>
The initial gathering	50
Subsequent meetings	50
<b>Stage 3: Determining Your Wants and Needs</b>	<b>50</b>
Creating a wish list	50
<b>Stage 4: Turning Thoughts to Actions</b>	<b>57</b>
Opportunities and obstacles	57
Action planning	58
Checklist	60
<b>Summary</b>	<b>60</b>

<b>CHAPTER THREE: HITTING THE STREETS</b>	<b>61</b>
<b>Overview</b>	<b>63</b>
<b>Continuing on the Journey Toward Homeownership</b>	<b>63</b>
<b>Finding a Home</b>	<b>64</b>
How a real estate sales professional can help	65
Comparison shopping	66
<b>Negotiating the Purchase</b>	<b>69</b>
Deciding how much to offer	69
Submitting the offer	71
Terms of the contract	72
The home inspection	73
<b>Negotiating the Final Purchase Price</b>	<b>77</b>
Accessibility issues	77
Reviewing the action plan	78
Checklist	78
<b>Summary</b>	<b>79</b>



<b>CHAPTER FOUR: OBTAINING A MORTGAGE</b>	<b>81</b>
<b>Overview</b>	<b>83</b>
<b>Shopping for a loan</b>	<b>83</b>
Understanding the language	84
<b>Applying for a Loan</b>	<b>87</b>
The loan application	88
The interview	88
Loan processing	90
Long-range planning	93
Taking advantage of others' experiences	94
Using your team members	95
If your loan application is rejected	95
Report suspected discrimination	96
Have I used all my resources to find the right loan?	97
Action plan	97
Checklist	98
<b>Summary</b>	<b>98</b>
<b>CHAPTER FIVE: CLOSING</b>	<b>99</b>
<b>Overview</b>	<b>101</b>
<b>Final review before setting the closing date</b>	<b>101</b>
Pre-closing meeting	102
Select a settlement agent	102
Complete the title search	102
Purchase title insurance	103
Meet the conditions of the loan approval	103
Obtain a property survey	103
Obtain a termite certificate	104
Establish an escrow account for long-term maintenance	104
Secure probate approval	104
Obtain accounting reports from representative payee	104
Complete all state certifications	105
Obtain commitment letters for funds and assistance services	105
Document PITI reserves	105
Review your long-term assistance plan	105
<b>Set the Closing Date</b>	<b>106</b>
Purchase property insurance	106
Decide whether to have automatic payment for PITI	107
Consider a homeowner's warranty	107
Conduct a final house check	107
Conduct a house tour with the seller	108
Obtain a final estimate of closing costs	109
<b>HUD-1 Settlement Statement</b>	<b>109</b>
Allocation of closing costs	112
<b>Closing: The Big Day!</b>	<b>114</b>
What to expect at the meeting	114
Who can I bring to the closing meeting?	114
Explanation and signing of closing documents	114
Recording the documents	116

Getting the keys to your new home!	116
The media	117
Questions	117
Action plan	117
Checklist	118
<b>Summary</b>	<b>118</b>

## **CHAPTER SIX: LIFE AS A HOMEOWNER** **119**

<b>Overview</b>	<b>121</b>
<b>A Homeowner at Last</b>	<b>122</b>
Settling in	122
Defining roles for people providing assistance	125
<b>Meeting Your Obligations as a Borrower</b>	<b>127</b>
Understanding the terms of your loan	127
Transfer of servicing	128
Avoiding foreclosure	128
<b>Maintaining Your Home</b>	<b>130</b>
Seasonal inspection checklist	131
Keeping your energy bills at a minimum	131
Do-it-yourself repairs	131
Major repairs and home improvements	132
<b>Household Budgeting</b>	<b>134</b>
Creating a budget	134
Checklist	139
<b>Summary</b>	<b>139</b>

## **GLOSSARY** **141**

## **WORKSHEETS** **151**

## **ADDITIONAL RESOURCES** **160**

### **PHOTOGRAPHY COURTESY OF:**

**National Home Of Your Own Alliance  
The Center for Universal Design  
Kelly Houk**

*All rights reserved*



## A C K N O W L E D G E M E N T S

This manual is dedicated to Ron Mace, the pioneers who have successfully purchased their own homes, and to the individuals who have assisted them. Ron Mace, an architect, industrial designer, and visionary, was responsible for the concept of Universal Design. Through their efforts, the dream of homeownership became a reality despite the challenges, attitudes, and financial barriers they faced. Without their vision, persistence, and belief in their dreams, *A Home of Your Own Guide* would not be possible.

Countless hours of writing, editing, and reviewing were devoted to this manual. We would like to thank the following people who worked tirelessly on its production:

Jay Klein, the director of the National Home of Your Own Alliance, for his vision, foresight, and unwavering belief in justice and equality for all people. Jay's contributions of writing and editing are the very heart of this publication.

Kim Frederic-Klein, a consultant to the National Home of Your Own Alliance, who contributed to the writing and editing of this manual. Kim spent long hours late into the night, writing and re-writing sections of the guide. She never complained and never missed a deadline. We appreciate all of her efforts, which are reflected on every page.

Debra Nelson, the director of the Community Options project at the Institute on Disability, who spent hours carefully reviewing and editing this guide, and provided gentle advice and ongoing support.

The staff at the National Home of Your Own Alliance, specifically Dan Vachon, Margaret Caulk, Nancy Hocht, Clare Sullivan, and Marcie Goldstein.

The creative talent of Kelly Houk enhances this guide. Kelly provided the artistic genius that is reflected in the design throughout the manual. We salute her patience, dedication, and flexibility during the production of this manual.

Last, but not least, our sincerest thanks to the consultants and experts who reviewed the first draft of the manual, including Debbie Berrey from Idaho, Jean Ann McLaughlin from Massachusetts, Edward Alley-Willard from Texas, Cathy Ficker-Terrill from Illinois, Judith Snow from Toronto, Canada, John O'Brien from Georgia, Karen Tamley from Illinois, and Diana Davis from Connecticut. Their insightful feedback and ongoing support were invaluable.

## P R E F A C E

*"There is in the world today a vibrant new culture. It is young and rough, but its birth has been true, and with proper nurturing, its life and growth promise to be dramatic. It is the culture of inclusion."*

**Judith Snow, (1992 p.vi)<sup>1</sup>**

Owning a home has always been and continues to be the American dream. For people with disabilities and others who have been denied the opportunity to choose where and with whom they live, the dream of owning a home is either rarely considered or typically discouraged. This guide reflects a new vision for people with disabilities, as well as the housing industry that has begun to serve them. In this new vision, people with disabilities are, from all perspectives, valued customers and potential home buyers.

The National Home of Your Own Alliance, established in 1993 at the University of New Hampshire's Institute on Disability, is a national technical assistance center and clearinghouse that focuses on homeownership and control for people with disabilities. The Alliance was created by a five-year cooperative agreement with the United States Department of Health and Human Services Administration on Developmental Disabilities. As of 1997, twenty-three states receive ongoing support from the Alliance to develop pilot projects of homeownership.

This guide will walk you through the process of buying a home, from the decision to purchase to the move and settling into your new home.



<sup>1</sup> Please refer to Snow, Judith (1992). *In the Spirit of Inclusion*. In Wetherow, David, *The Whole Community Catalogue: Welcoming people with disabilities into the heart of community life*. (p.vi), Winnipeg, Manitoba, Canada: Gunnars and Campbell Publishing Company.

**Chapter One** helps you decide whether homeownership is right for you. It begins by exploring the advantages and disadvantages of owning a home, what it will take to purchase a home, and the related expenses. The chapter discusses what types of financial assistance may be available, how large a mortgage you can afford to pay, and how to make the most of all of your resources.

**Chapter Two** describes a process that many people have found helpful in purchasing a home. It begins by introducing the concept of person-centered planning. The chapter explains how to present your desire to own a home through the development of personal profiles, how to assemble a planning team, and how to develop an action plan that will help you reach your goal of buying a house. Finally, the chapter details how to create a “wish list” to help define your ideal neighborhood, house, and personal assistance. Throughout the chapter, examples from one successful home buyer’s experiences are detailed.

**Chapter Three** offers suggestions on shopping for a home, choosing and working with a real estate sales professional, and completing certain steps before making an offer on a house. The chapter explains the sales contract in detail, and discusses guardianship and state certification requirements. The importance of a home inspection and home accessibility are also highlighted. Finally, the chapter describes how to negotiate the final purchase price of a home.

**Chapter Four** is dedicated to obtaining a mortgage. Related terminology is defined, and a description of various types of loans is presented. The chapter discusses the process of completing a loan application, preparing for the loan interview, and how a loan is processed. It offers advice about long-range planning and how to take advantage of the experiences of team members and other home buyers. The chapter ends with a discussion about what you can do if you are denied a loan, including strategies to overcome this obstacle.

**Chapter Five** helps you prepare for the closing, which is the meeting that finalizes your home purchase. It includes a final review to be completed before the closing meeting is held. The chapter also describes what to expect at the closing, including closing costs and the documents typically signed, and how to make sure you have the necessary assistance at the meeting.

**Chapter Six** looks at life as a homeowner. This includes settling in, meeting the neighbors, managing assistance, and maintaining your home. The chapter also reviews loan terms, what to do if you run into problems paying your mortgage, and offers tips on how to manage your money. Also included is a section on planning for and completing home maintenance and repairs.

At the end of the guide, you will find an appendix with a resource list and a glossary of terms. In addition, both descriptions of resources and definitions of terms are offered throughout the guide where it seems appropriate. For example, Chapter Four includes a section on understanding the terminology specific to obtaining a loan. Numerous worksheets and sample documents are also found throughout the guide.

# INTRODUCTION

## WHERE PEOPLE HAVE BEEN

Throughout the history of the United States, people with disabilities have been segregated and isolated from ordinary life. During the establishment of the original thirteen colonies, people with disabilities were not allowed to settle. Later, immigration policies prohibited people with disabilities from entering the country.

Beginning in the 1700s, many people with mental, physical, and emotional disabilities lived the majority of their lives in large institutions. Parents of newborn children with disabilities were strongly advised to send their children to institutions. Indeed, even if families wished to care for their children with disabilities at home, there were no resources or assistance available to them.

In the 1920s and 1930s, changes such as the Social Security Act and the Fair Labor Standards Act allowed people with disabilities to work in sheltered workshops and to receive income. Over the next forty years, the living conditions for people with disabilities improved slightly, but were still far below the standards most Americans would consider acceptable. Institutions began to change their names from “asylums” to “schools,” “training centers,” and “developmental centers.” These changes indicated an evolution in the way society thought about people with disabilities. The assumption that people with disabilities were “broken” or “deviant” persisted, but now it was believed that some people, with enough rehabilitation, programming, and training could be “repaired.”

In the 1970s, Independent Living programs were developed throughout the United States. These programs advocated the inclusion of people with disabilities in society. Terms such as “mainstreaming” and “normalization” were coined to describe a change in the attitudes and practices of the United States toward people with disabilities. Despite this powerful movement, most people with disabilities still lived in congregate settings such as institutions, group homes, or nursing homes. People had little control over their own lives, and were not considered capable of making decisions for themselves.

In recent years, tremendous changes have impacted the lives of people with disabilities in positive ways. There has been a shift from placing people with disabilities in large institutions to providing assistance for people to live in their own homes in communities. Individuals with even the most intensive assistance needs are moving out on their own, holding down jobs, developing relationships, having children, and making the decisions which impact their lives. In many situations, assistance is tailored to meet the person's needs and is delivered in people's homes, at their jobs, and in the community.



In 1990, the Americans with Disabilities Act (ADA) was signed into law. The ADA states that people with disabilities will receive fair and equal treatment under the law. The signing of the ADA was a tremendous milestone for individuals with disabilities. However, nearly a decade later, most individuals with disabilities do not have control over, or even a voice in, the most basic decisions regarding their homes and their lives. Too often, where people live, with whom they live, and how they spend their time are decisions made by someone else. Despite major accomplishments in community housing and personal assistant services for persons with disabilities, most individuals remain guests, or perhaps worse, boarders in their own homes, subject to the rules, schedules, dictates, tastes, and prejudices of others.

#### WHY THIS GUIDE IS NECESSARY

People with disabilities, their families, the service system, and others working on their behalf have overcome innumerable legal, attitudinal, and societal barriers. Despite these achievements, there is still a great deal of work to be done before we can say that people with disabilities are afforded the same opportunities, rights, privileges, and responsibilities that all citizens enjoy.

Until very recently, many people with disabilities were not able to achieve the American dream of owning a home. Of the forty-three million Americans with disabilities, only a small fraction are homeowners. However, a growing number of individuals are purchasing homes of their own, and gaining greater control over their lives.

Homeownership for people with disabilities clearly is new territory that is often overwhelming and laden with obstacles. However, the journey is a worthwhile one for people who successfully navigate the process and purchase a home of their own. This guide may be a helpful tool, since it has been designed to:

**present new information on the topic of homeownership that is not available elsewhere;**  
**help the reader learn what it takes to purchase a home;**  
**describe the responsibilities and rewards of homeownership;**  
**provide resources for funding and other types of assistance;**  
**educate home-buying counselors, lenders, and realtors; and**  
**answer questions about issues and barriers that specifically affect people with disabilities.**

## MAKING THE BEST USE OF THE GUIDE

Purchasing a home is a complicated undertaking for anyone. Most people only buy one or two houses in a lifetime! Working successfully with lenders, realtors, and other important people in the process requires a basic understanding of information ranging from simply describing the kind of house you want, to providing technical information, to prequalifying for a loan. Therefore, for some users, this manual may seem oversimplified. For others, it may seem too difficult to understand. Still others may find some chapters easy and others more difficult. Whether you are a person with a disability, a family member, someone who provides assistance to an individual with a disability, or a professional involved in the process of homeownership, you will probably find some sections of the manual more helpful than others.

Regardless of your role (home buyer, friend, personal assistant, etc.), it may be necessary to obtain assistance to comprehend the information presented. Some people might find it helpful to start by reading the guide from beginning to end. Then, each chapter may be read again as the process moves forward.

If you are interested in purchasing a home, you could ask friends, family members, neighbors, or paid assistants to help read through the guide with, or for you. Review it with them until you are comfortable with the material. If you are working with a planning team, ask the members to read the guide. Discuss each chapter as a group, exploring the areas you would like to learn more about or adapt to your situation. If you do not have an established planning team, you may want to create one. Chapters One and Two will give you specific information about how to do this.

## A NOTE ABOUT ASSISTANCE

Given the wide range of readers of this manual, it is assumed that some will need assistance to understand and negotiate the homeownership process. Many people with disabilities receive the assistance they need from independent living centers and supported living agencies. Others receive informal or unpaid assistance from family, friends, neighbors, and co-workers, either in place of, or in addition to, paid assistance from agencies. Regardless of the source, assistance that is tailored to individual needs and desires is a key ingredient in the success of people with disabilities in buying a home of their own. The material in this guide may therefore be useful to supported and independent living agencies that are committed to assisting people to own and control their homes.

Recognizing that people want and need different amounts and types of assistance, we realize that the process we describe is just one approach and may not be necessary or helpful to you. Even if this is the case, you may want to read through the section on planning, as there will be certain pieces of information that may be useful to you.

\* \* \* \*

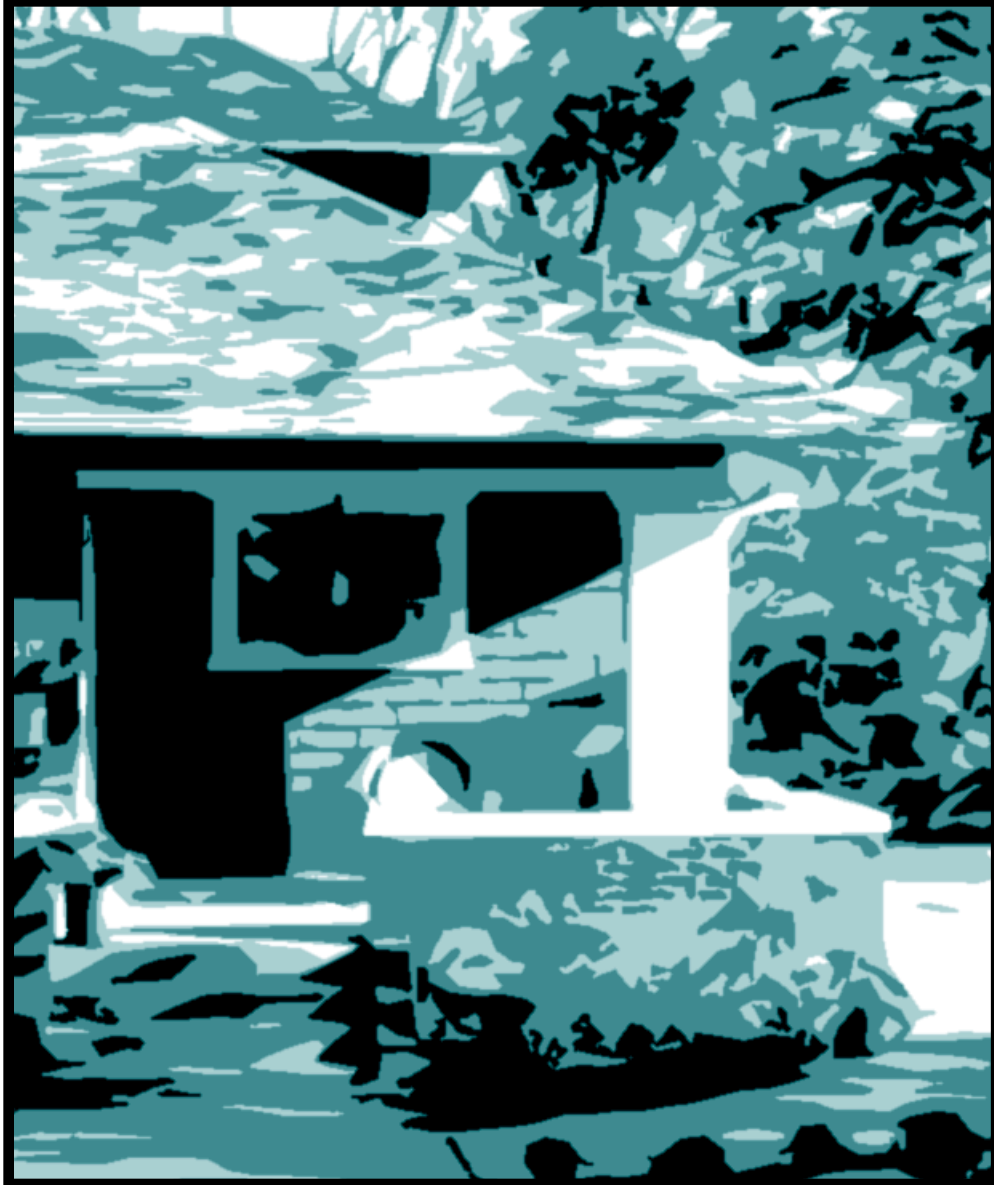
*As you prepare to embark on this exciting new expedition, remember that you are among the first to travel this road. There are precious few markers and signs to guide you along the way, but as more and more people venture into homeownership, the path will become a well-worn and familiar one.*

***Good luck on your journey.***

C H A P T E R

1

P R E P A R I N G F O R H O M E O W N E R S H I P



## P R E P A R I N G F O R H O M E O W N E R S H I P

## O V E R V I E W

All over America, many people with disabilities are currently living in, or are in various stages of buying, their own homes. The first step to begin the process is to decide whether you truly want to own a place of your own. This chapter may help you to make that decision for yourself. It will present both the positive aspects and some of the difficulties associated with owning a home. It will introduce you to what owning a home means in practical terms, and explain the meaning of terms such as: mortgage, budget, credit record, and pre-qualification. The roles of people who may help you buy a home will be described, along with ways to increase your buying power. Most importantly, this chapter will spell out what things you will need to consider as you try to determine whether purchasing a home is something you want to do.

As part of the process, you may want to locate and ask for assistance from individuals who have been trained to help reduce some of the confusion and uncertainty of the home-buying process. Depending on where you live, these individuals could be affiliated with a homeownership counseling agency, lender, real estate agent, or coalition of agencies. Chapter Two offers a more in-depth description of the process of choosing individuals to help you buy a home.

I S H O M E O W N E R S H I P  
R I G H T F O R Y O U ?

## A D V A N T A G E S

There are many good reasons to decide to purchase a home. Some of the benefits you may expect if you make that decision are:

## A H O M E O F Y O U R O W N

Many people with disabilities have lived their entire lives in spaces that belonged to, and were controlled by, others. Most of us find our greatest comfort and security in surroundings we call “a place of our own.” But, for people with disabilities, “home” often means “my room in the group home,” or, “my room in my parent’s house,” or, “my bed in the room I share with my roommates,” or, “my room in the



nursing home, adult foster care, or, the institution.” Making the decision to purchase your own home is one way you can gain a greater degree of freedom and control over your life. For example, when you buy your own home, you choose the location. You decide which neighborhood is right for you. You choose the type of home in which you prefer to live. You may choose a house, condominium, manufactured home, large or small, wood or brick.

Owning your home means you decide who gets a copy of your keys. It means that you decide whether to invite another person to live with you. You may be able to rent a room in your house. Having a place of your own may give you your first chance to decide where the furniture is placed, what pictures and decorations you hang on your walls, who is allowed through your front door, and who shares your space and your life. Having your own place means that you can have greater opportunities for privacy. In your own home, you make the rules about which areas are off limits. These rules, or boundaries, put you in charge of deciding who may enter specific rooms or areas in your home.

If you need to modify your house so that it is accessible to you, these changes can be suited to your specific needs and can be made permanent. When you rent, the landlord can limit the types of changes you make, and can require you to return the house or apartment to the original condition or remove the modifications that were made.

In addition to these benefits, homeownership offers stability. When you own your home, the chance of someone else deciding that you must move disappears. As long as you meet all your obligations as a homeowner, you cannot be evicted or made to move unless you choose to do so.

### COMMUNITY STATUS

Homeownership brings with it new and valued roles, such as community member, taxpayer, and neighbor. Your community status is enhanced when you are viewed as a responsible adult who owns a piece of a neighborhood. As a homeowner and property taxpayer, you contribute to the local economy and have a voice in local government. Much of a person's standing and perceived membership in his or her community comes from property ownership. Because approximately 65 percent of all Americans own their own homes, achieving the goal of homeownership is often something envied and respected. Owning a piece of property in a neighborhood brings a feeling of dignity and belonging.

### A CHANCE TO SAVE MONEY

One positive outcome of budgeting for and paying your mortgage (house payment) and other housing costs each month is that you will need to develop the habit of setting money aside to meet those expenses. This means that with practice, planning, and hard work, you have a better chance to save money to buy or do things you may need or want.

## STABLE HOUSING COSTS

Moving often means an increase in housing expenses. There may be a security deposit, moving expenses, set-up costs, or a rent increase. In your own home, you can have a “fixed-rate mortgage,” which means that your mortgage principal and interest payment remains the same each month for as long as you own your home. If property taxes are included in your monthly mortgage payment, the payment may change slightly if the taxes increase or decrease. You can stay in your home as long as it meets your needs and you pay your bills.

## TAX BENEFITS

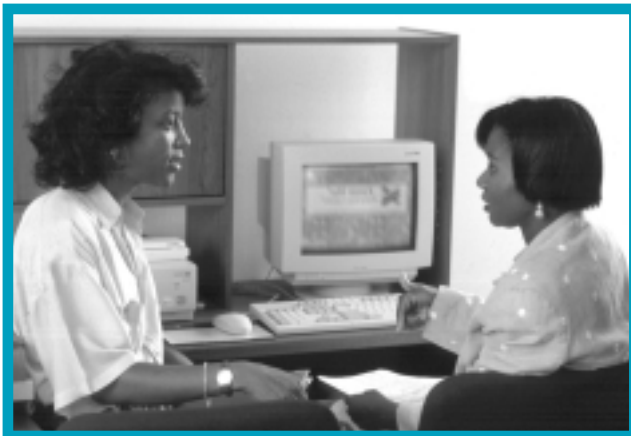
A tax is money paid to local, state, and federal governments to cover the cost of services they provide. Depending on the area in which you live, your taxes may pay for schools, local government administration, road maintenance, police, fire, and numerous other services. While owning a home may mean you pay more in taxes (property tax), it also means you could receive a tax deduction from the federal government. You may pay less in federal income tax. The federal government encourages homeownership by providing homeowners significant tax benefits that are not available to renters. You should consult a tax advisor for more information.

## ASSISTANCE IS PERSONALIZED

When you begin to develop a strategy to purchase a home, you will also need to develop a plan for getting the personal assistance you need. If you live in an agency-owned or controlled home, the assistance that is available must meet the needs of all of the people who live in the home. In your own home, assistance can be tailored to suit your unique preferences and needs. Assistance is personalized so that there is the right amount and type for you.

## INVESTMENT

Owning a home is an investment. Not only are you putting money into property which may become more valuable with time, you are buying something that you can pass on to your children or other family members when you are gone.



## DISADVANTAGES

### COMPLEXITY OF PROCESS

If you decide that you want to own your own house, you must be prepared for hard work. The process can be very complicated, taking a great deal of planning, many meetings, and working together with people. There may be some disappointments, delays, and setbacks along the way. There is a lot of paperwork involved in any home purchase, and much of it is hard to read and nearly impossible to understand without legal assistance.

### TIME COMMITMENT

From the time you decide to purchase a home until the moment you finally unlock your own front door, the process can be very long. Most homeowners will tell you that it seemed to take forever. It is not unusual for timelines to change and delays to occur during the process. The least amount of time the process will take is about thirty days, but it can take several months.

### POSSIBILITY OF LOSS OF BENEFITS

This issue must be considered by anyone who receives public benefits. If you choose to own your own home, it is important to know if and how your benefits will be affected. Depending on your personal situation, you may run the risk of losing your benefits. Many people receiving public assistance have purchased their own homes without losing their benefits, but understanding all the rules is critical if you are to continue to receive all of your income. In following chapters, there is discussion on how to avoid losing your public benefits.

### RESTRICTIONS WITH USE OF BENEFITS

Some public benefits have certain restrictions that could affect homeownership. For example, if you have a HUD Section 8 voucher or certificate to assist you in paying your rent, you will not be permitted to use it for a mortgage payment. These vouchers and certificates may only be applied toward rental costs.

People who receive SSI benefits may not have more than \$2,000 in cash resources in their possession at any time. Individuals who receive Medicaid funds have resource limitations ranging from \$1,000 to \$2,000, depending on the laws of the state in which they live. Because of these resource restrictions, people who receive public benefits do not have the ability to save enough money for typical down payment and closing costs. Later in the manual, we will discuss how you can overcome this obstacle. Each state has different regulations, so it is important that you find out about the rules that apply within your own state.

## REPAIRS AND MAINTENANCE

Part of being a homeowner means that you are responsible for maintaining a house and keeping it in good condition. This includes paying for repair materials and labor. It isn't always possible to plan in advance for repairs. For this reason, you will need to have money set aside for emergencies. Many people shy away from buying a house because they do not want the responsibility of maintaining a home (mowing the lawn, shoveling snow, taking care of needed repairs, etc.). One reason that condominiums are so popular is that there are minimal repair and maintenance responsibilities. Condo owners pay a monthly fee that covers these costs. They can enjoy the positive aspects of owning a home without having to worry about the details of exterior upkeep.

## HIGH COST OF HOMEOWNERSHIP

Owning a home can have a positive impact on living costs over the long-term. Homeownership usually means an initial increase in how much you pay for housing. Such things as maintenance, taxes, saving for repairs, and having funds reserved for mortgage payments and emergencies often mean the cost may be more, at first, to live in your home. Depending on your specific situation, upkeep of a home may mean a higher cost than you are prepared for. It is for this reason we recommend that you look carefully at your financial situation and fully understand the potential costs associated with homeownership.

## POSSIBILITY OF FORECLOSURE

If a borrower fails to pay monthly mortgage payments on time, the bank or other lender can take back the property. This action is called a foreclosure. The bank will sell the house to try to recover the money it loaned. A foreclosure will have a serious, long-term impact on your credit rating. It also means losing your home and all the money you have paid on the mortgage to date. To avoid this, you need to be fully prepared and be certain that homeownership is right for you.

## DECREASED MOBILITY

Unlike a renter, a homeowner cannot move after simply giving the required notice to the landlord. If you are unsure about whether you want to live in the same place for more than a year or two, this might not be the ideal time to buy a house. You may wish to explore a number of neighborhoods, towns, or even areas of the country before making a decision to purchase a home and put down roots in one location.

## GUARDIANSHIP ISSUES

Many people with disabilities do not have a guardian, but some do. Guardians may have a lot of questions and concerns about homeownership. If you do have a guardian, you will need to have that person involved from the beginning. You may even need to obtain approval from a probate court before you complete the process of buying a house.

## ISSUES OF ASSISTANCE

Moving from a home controlled by others, whether it is your family's home, an institution, a group home, or another living arrangement, means that you take on more responsibilities for your own life. Before you purchase a home, make sure that you have the level of assistance you need to live in your own home. You may need to spend some time investigating assistive technology, adaptive equipment, personal assistant services, and support provided by services in the community. For example, you can request that your bank or credit union pay your bills for you with money from your account. If you take medication, your local pharmacy may be willing to pre-package your medication in daily doses.

Living in your own home may present a few more complexities if you have trouble moving about. Adaptive equipment may help you to carry out a variety of activities, such as eating, dressing, and bathing. A voice-activated emergency call device may eliminate some health and safety concerns. Designing and securing this assistance in your new home is critical, but may be difficult to obtain and manage.

The following chart shows a summary of advantages and disadvantages of owning a home.

### CHART OF ADVANTAGES AND DISADVANTAGES OF HOMEOWNERSHIP

ADVANTAGES	DISADVANTAGES
<b>A home of your own</b>	<b>Complexity of process</b>
<b>Community status</b>	<b>Time commitment</b>
<b>A chance to save money</b>	<b>Possibility of loss of benefits</b>
<b>Stable housing costs</b>	<b>Restrictions with use of benefits</b>
<b>Tax benefits</b>	<b>Repairs and maintenance</b>
<b>Assistance is personalized</b>	<b>High cost of homeownership</b>
<b>Investment</b>	<b>Possibility of foreclosure</b>
	<b>Decreased mobility</b>
	<b>Guardianship issues</b>
	<b>Issues of assistance</b>

## WHAT WILL IT TAKE FOR YOU TO BUY A HOUSE?

### INITIAL PLANNING

Recognizing that people want and need different amounts and types of assistance, we realize that the process we describe is just one approach and may not be necessary or helpful to you. Even if this is the case, you may want to read through the section on planning. There will be certain pieces of information that may be useful to you.

You have decided to purchase a home! Next, you may wish to choose two key people to assist you in this undertaking. One is a housing counselor, or education provider, and the other is a facilitator. A housing counselor/education provider is a person who is trained and certified to assist prospective home buyers throughout the purchase process. This person is knowledgeable about such issues as obtaining credit, how to choose a real estate sales professional, and the different types of loans that are available. Housing counselors typically work for non-profit organizations. For a list of housing counselors/education providers in your area, contact Fannie Mae HomePath® Services at 1-800-7FANNIE (or 1-800-732-6643).

A facilitator is a person who knows you well, believes in your dream of owning a home, and is willing and able to assist you through all of the steps to reaching your goal. In Chapter Two, we will talk about how to choose a facilitator and what his/her role might be. The next step will be to assemble a planning team. You will want to make a list of friends, family members, people who provide assistance to you, and anyone else who may be helpful or supportive of you becoming a homeowner. Together, all of these people will assist you with the home-buying process.

Once you have chosen these individuals, you will gather everyone together, perhaps at your home or the home of a friend or family member. During the first get-together, it is a good idea to discuss and develop ways you will implement your action plan. The action plan details the major steps that must be completed to purchase a house. Every time the group gets together, each person will be given a specific task(s). At the following gathering, everyone will report on their progress.

Chapter Two, "Planning," is dedicated to the actual planning process and will walk you step-by-step through the process described above. To illustrate the steps involved in using an action plan to achieve homeownership, an example of a homeowner named Joe is given. His experiences will emphasize the importance of the planning process in assisting someone to purchase their first home.



## LOOKING AT CURRENT AND FUTURE INCOME AND EXPENSES

You may not have thought it possible to own your own home. By looking at all of your resources and carefully reviewing your income and expenses, you will have a good idea of what is feasible. It is also important for you to keep track of your spending and begin to develop a budget, that will document where your money is spent each month.

## PUBLIC BENEFITS AS INCOME

All of the money that comes to you, or is received into an account on your behalf, makes up your income. When a bank, housing finance agency, or other lender reviews your financial situation, your total income is used as one part of a formula to decide if you can afford a particular home. For many people with disabilities, a portion of their regular income is money from sources such as SSI and Medicaid. In another section of this chapter, you will find more detailed information on how it may be possible to use this income to buy your own home. For now, it is important that you know that receiving public benefits does not prevent you from purchasing a home. People with disabilities have used their benefits as income to qualify for a mortgage.

## BLENDING OF RESOURCES

Blending of resources means accessing, combining, and using a person's assets, such as employment income, public benefits, grant moneys, loans, and personal funds to make sure that there is sufficient money for an individual to purchase a home and receive the needed assistance. This strategy of blending resources is being used by people with disabilities, the housing industry, and others working in the service system, to make homeownership a possibility for people who have limited personal resources. Specific examples of how resources may be blended will be given later in this chapter.

## CHANGES IN INCOME

As resources are blended in order to purchase a home, your income may look different. There may be less money from one source, but a larger amount from a different or new source. As mentioned earlier, you may no longer use your Section 8 voucher or certificate, but you may receive other funds that will help make your monthly mortgage payment affordable. These different funding sources will be described in greater detail later in this chapter.

## CHANGES IN EXPENSES

As a property owner, you will have different living expenses. You may recall that initially you might pay more to own a home than you had paid in rent or in payments to a provider. There may be expenses such as city water and sewer charges, trash collection, or yard maintenance that you did not have as a renter. Your expenses for assistance will probably change also. For example, you may pay the people who provide you with assistance directly, versus having an agency pay them. The good news is that if there is thoughtful planning and a creative use of resources, your purchase of a home can sometimes lower your overall expenses. This may be possible by tapping into new income streams and devising new ways of receiving assistance.

## THE COST OF PURCHASING A HOME

The costs involved in purchasing a house include both upfront expenses and ongoing expenses.

### UPFRONT COSTS

This term refers to the money you will spend before you move into the home you are purchasing. Your upfront costs will include the down payment, various closing (or "settlement") costs, and the cost of moving your belongings into your new home.

**DOWN PAYMENT.** Nearly everyone who purchases a house must rely on a loan from a bank or other lender. Most lenders require that you contribute a portion of the purchase price from your own funds. Lenders feel more comfortable knowing that you have a personal investment in the property.

Traditionally, the buyer has been expected to make a down payment of 20 percent of the purchase price. This would amount to \$12,000 on a \$60,000 house. Today, under some conditions, a buyer can pay as little as 3 to 5 percent in down payment. A 5 percent down payment on that same \$60,000 home would be \$3,000.

Two low down payment products offered by Fannie Mae are Fannie 97<sup>®</sup>, which requires only 3 percent down, and the 3/2 Option<sup>®</sup>, which requires a 5 percent down payment. Both of these options will be discussed later in greater detail.

**CLOSING COSTS.** There are a number of additional upfront expenses that must be paid at the time of purchase. These "closing costs" generally range from 3 to 6 percent of the total mortgage amount. If you were to buy a \$60,000 house with a 5 percent down payment, your closing costs would total between \$1,710 and \$3,420. In some situations, other individuals or organizations may pay the closing costs on your behalf.

**SETTLING-IN COSTS/REPAIRS.** You will want to consider how much money you will need to move and settle in. There may be some immediate costs, such as a rental truck to move your furniture. You may need to purchase a major appliance such as a refrigerator or stove prior to moving in. There may also be necessary repairs that must be completed in order to make the house safe. There will be fees for hooking up or changing the billing for your utilities, such as telephone, cable, electricity, gas, and oil. It is important to plan ahead so that you do not spend all of your available cash resources on closing costs.



**ACCESSIBILITY.** For a person who uses a wheelchair or has other mobility considerations, the house may need modifications in order to make it accessible. Some changes that are commonly needed include the following:



- Installing ramps**
- Widening doorways**
- Lowering countertops**
- Installing grab bars or handrails**
- Modifying or replacing bathroom fixtures**
- Adding a flashing door light**
- Installing textured flooring**

Renovations of this sort can be costly and must be a critical consideration in the planning process. Depending on where you live, there are certain rules intended to meet safety and other requirements. In some neighborhoods, there are limitations on the type of materials that may be used to construct a ramp or other structure. You will want to find experienced and qualified architects and contractors. The first step is to contact the local housing inspector to determine how to satisfy both the lender and local building codes.

## ONGOING COSTS

If you have been a renter, your main housing costs have been your monthly rent payment and utility expenses. As a homeowner, your housing costs will now include your mortgage payment, utility bills, property taxes, maintenance, property insurance, and mortgage insurance. In addition, condominium and townhouse owners also pay a monthly maintenance fee.

**YOUR MONTHLY MORTGAGE PAYMENT.** The amount of your monthly mortgage payment will depend on how much you borrow, the term (repayment period) of the loan, and the interest rate. Since most new home buyers are accustomed to paying rent on a monthly basis, they are usually prepared to make monthly mortgage payments.

**PRINCIPAL AND INTEREST (P&I).** Each mortgage payment includes both the repayment of a portion of the principal (the amount you actually borrowed) and the interest (a fee for borrowing the lender's funds). Lenders refer to payments of principal and interest as "P&I." If you know how much you need to borrow (the purchase price minus your down payment) and what the interest rate will be, you can use the principal and interest chart that follows to determine what your monthly principal and interest payment will be on a standard 30-year fixed-rate mortgage. Note that this chart includes only principal and interest payments, not property taxes, property insurance, and private mortgage insurance.

**MORTGAGE INSURANCE.** Mortgage insurance helps protect the lender if you fail to repay the mortgage loan. Loans that are insured, either by the government or by a private mortgage insurer, enable the home buyer to purchase a home with a lower down payment than would otherwise be acceptable to the lender.

**PRIVATE MORTGAGE INSURANCE (PMI).** Private mortgage insurance is paid for by the borrower and protects the lender against loss if a borrower fails to repay the

mortgage. With PMI, lenders may reduce the down payment requirement from 20 percent of the purchase price to as low as 3 percent of the purchase price. On a \$60,000 home, instead of putting down \$12,000, you may be able to make a down payment as low as \$1,800! The cost of PMI is approximately \$25-\$50 per month.

**TAXES AND INSURANCE (T&I).** In many situations, a home buyer's monthly mortgage payments include not only the amount required to repay a portion of the principal and accrued interest (P&I), but also an added amount for property taxes, homeowner's insurance, and PMI. The lender holds these additional amounts in a separate "escrow" account and pays the tax and insurance bills when they come due. In this way, the lender ensures that these important annual expenses are paid on time. If taxes and insurance are not put into an escrow account each month, the homeowner must be prepared to pay these bills when they come due.

Because taxes and insurance are an essential part of a homeowner's housing costs, lenders often refer to the components of a mortgage payment as "PITI" (an abbreviation for principal, interest, taxes, and insurance). Lenders also view condominium and cooperative fees as belonging in this category of basic housing costs.

**CALCULATE YOUR PRINCIPAL, INTEREST, TAXES, AND INSURANCE (PITI).** You can determine the approximate cost of your PITI, or total monthly mortgage payment. Divide the amount for annual property taxes by 12 and add this figure to the amount of your estimated principal and interest from the P & I chart below. Now add \$25 to \$50 per month for property insurance, and about \$25 to \$50 per month for PMI. These four figures should approximately total what your monthly mortgage payment will be.

<b>Annual Property Taxes divided by 12 =</b>	_____
<b>+ Monthly Principal and Interest =</b> (see principal and interest chart)	_____
<b>+ Monthly Property Insurance =</b> (\$25 to \$50)	_____
<b>+ Monthly PMI =</b> (\$25 to \$50)	_____
<b>= Estimated Monthly Mortgage Payment</b>	_____

Some people also choose to put money aside for a maintenance fund. This money would be used to pay for unexpected repairs, like a broken water heater or a leaking roof. If you decide to set up such an account, add this to your monthly expense figures.

The amount of your monthly mortgage payment will depend on how much you borrow, the term (repayment period) of the loan, and the interest rate. If you know how much you need to borrow (the purchase price minus your down payment) and what the interest rate will be, you can use this chart to find what your monthly principal and interest payment will be if you get a standard 30-year fixed-rate mortgage. Note that this chart includes only principal and interest payments, not property taxes, hazard insurance, and private mortgage insurance.

## PRINCIPAL AND INTEREST CHART

Loan Amount	Interest Rate												
	6%	6.5%	7%	7.5%	8%	8.5%	9%	9.5%	10%	10.5%	11%	11.5%	12%
20,000	120	126	133	140	147	154	161	168	175	183	190	198	206
25,000	150	158	166	175	183	192	201	210	219	229	238	248	257
30,000	180	190	200	210	220	231	241	252	263	274	286	297	309
35,000	210	221	233	245	257	269	282	294	307	320	333	347	360
40,000	240	253	266	280	293	308	322	336	351	366	381	396	411
45,000	270	284	299	315	330	346	362	378	395	412	429	446	463
50,000	300	316	333	350	367	384	402	420	439	457	476	495	514
55,000	330	348	366	385	404	423	443	462	483	503	524	545	566
60,000	360	380	399	420	440	461	483	505	527	549	571	594	617
65,000	390	411	432	454	477	500	523	547	570	595	619	644	669
70,000	420	442	466	489	514	538	563	589	614	640	667	693	720
75,000	450	474	499	524	550	577	603	631	658	686	714	743	771
80,000	480	506	532	559	587	615	644	673	702	732	762	792	823
85,000	510	537	566	594	624	654	684	715	746	778	809	842	874
90,000	540	569	599	629	660	692	724	757	790	823	857	891	926
95,000	570	600	632	664	697	730	764	799	834	869	905	941	977
100,000	600	632	665	699	734	769	805	841	878	915	952	990	1,029
110,000	660	695	732	769	807	846	885	925	965	1,006	1,048	1,089	1,132
120,000	720	758	798	839	880	923	966	1,009	1,053	1,098	1,143	1,188	1,234
130,000	780	822	865	909	954	1,000	1,046	1,093	1,141	1,189	1,238	1,287	1,337
140,000	840	885	931	979	1,027	1,076	1,126	1,177	1,229	1,281	1,333	1,386	1,440
150,000	900	948	998	1,049	1,101	1,153	1,207	1,261	1,316	1,372	1,428	1,485	1,543
160,000	960	1,011	1,064	1,119	1,174	1,230	1,287	1,345	1,404	1,464	1,524	1,584	1,646
170,000	1,020	1,075	1,131	1,189	1,247	1,307	1,368	1,429	1,492	1,555	1,619	1,684	1,749
180,000	1,080	1,138	1,198	1,259	1,321	1,384	1,448	1,514	1,580	1,647	1,714	1,783	1,852
190,000	1,140	1,201	1,264	1,328	1,394	1,461	1,529	1,598	1,667	1,738	1,809	1,882	1,954
200,000	1,200	1,265	1,330	1,400	1,470	1,540	1,610	1,680	1,755	1,830	1,905	1,980	2,060

**OTHER COSTS OF HOMEOWNERSHIP.** Ongoing costs of owning a home include utilities (oil, gas, electricity, and water) and maintenance costs. First-time home buyers often are surprised by how costly basic upkeep is, both in terms of time and money. The cost of utilities may vary greatly (increasing during the heating season, for example). As we mentioned earlier, repairs often represent an unexpected expense. If you don't already have money set aside for emergencies (in a separate account) you will need to begin saving now. Financial advisers suggest saving 5 percent of your monthly income, for example, \$50 per month if your monthly income is \$1,000. Your goal should be to build up a reserve equal to three to six months' worth of housing expenses.

### WHAT TYPES OF ASSISTANCE ARE AVAILABLE?

There are a number of ways to obtain help in financing your home. By taking advantage of all of the financial assistance that you qualify for, you may be eligible for a mortgage that is higher than typical guidelines dictate. Examples of resources that others have used for down payments, closing costs, renovations, and repairs are mentioned below.

### DOWN PAYMENT AND CLOSING COST ASSISTANCE

Once you have decided to buy a home, you will probably work with a private lender (a bank or mortgage company) or housing finance agency to obtain your primary loan. Down payment and closing costs may be secured through loans and grants from a variety of funding sources. In Chapter Two, you will learn that researching and applying for mortgage assistance is part of the team effort. You may wish to consult with a home-buying counselor, available in most areas, and you may request other people help you access the necessary funds to purchase your home and obtain the personal assistance you need.

### RENOVATION AND REHABILITATION ASSISTANCE

Depending on your situation, you may need to secure additional funds for structure and property changes so that you can live safely and comfortably in your new house. Homeowners have obtained low interest loans from state housing finance agencies, private lenders, and through FHA 203K and FHA Title 1 funds. Borrowers have worked with Community Action Agencies (CAPs) to obtain grant moneys for renovations. In addition, state vocational rehabilitation programs sometimes offer grants, and construction apprentices have donated labor for repairs and renovations.

The Center for Universal Design is a national center which evaluates, designs, and promotes accessible design in buildings. The Center makes a number of publications and educational materials available, and provides information and technical assistance to people with disabilities nationwide. For more information, contact the Center for Universal Design at 1-800-647-6777.

### TYPES OF ASSISTANCE THAT MAY BE AVAILABLE

The following is a list of possible resources for assistance in purchasing a home. This list may not include all available options. You may wish to explore various avenues in your community, as well as look at all available state and federal programs.

Three ways that down payments, closing costs, repairs, and renovations can be financed through subsidies include:

#### 1) SUBSIDIZED SECOND LOANS

Subsidized second mortgages offer several features that can help make a home affordable. Payment on this type of loan is often deferred (delayed). These loans may carry no or very low interest rates, and part of the debt may be forgiven for each year that you remain in the home. Also, you may use a portion of the loan to pay for closing or rehabilitation costs that are not included in the sale price of the home.

These loans can sometimes be obtained through state housing finance agencies, HUD, and Federal Home Loan banks. They are called second mortgages because they are secured by a subordinate lien on your home.

#### 2) GRANTS

Grants generally do not need to be repaid and may come from sources such as: state housing finance agencies; state and local affordable housing programs; state developmental disabilities agencies; endowments for first-time home buyers; community block grant funds; state and local social service agencies; private foundations; and contributions from the seller.

#### 3) GIFTS FROM FAMILY, FRIENDS, CIVIC GROUPS, OR EMPLOYERS

Parents or other family members who wish to be helpful may give the home buyer a gift. The gift may be in the form of cash or a trust, which will be discussed later. Some employers offer programs which pay a portion of an employee's down payment or closing costs.

## HOW LARGE A MORTGAGE WILL YOU QUALIFY FOR?

### YOUR INCOME

With the help of the people who provide you with assistance, you will need to list all the income that you receive every month. Using the Budget Worksheet below, you can determine the exact amount of your income. This may include wages from work and/or public benefits such as Social Security and Medicaid Waiver funds, or any other income that you may have. If an agency receives and spends money for housing or other expenses on your behalf, an agreement can be drawn up that states that some of this money will be allocated to pay your mortgage payment. The agreement should satisfy the lenders that there are sufficient funds to make timely monthly mortgage payments.

### YOUR EXPENSES

As you did for income, you may want to make a list of your living expenses. This list will include all of your current costs for food, clothing, medical, transportation, entertainment, and utilities. You will need to estimate what your expenses will be after you move into your home. Having good documentation of your monthly expenses will assist you to prepare your monthly budget and to provide information to your lender.

### BUDGET WORKSHEET

The following budget worksheet is a good example of how to list your income and your expenses. The results will show you what amount of money you have for a mortgage payment after meeting all your other living expenses. This is the official budget worksheet used for a Fannie Mae HomeChoice<sup>SM</sup> mortgage by borrowers whose incomes are at or below 50 percent of the median income for their area (as defined by HUD).





Name of Borrower(s) \_\_\_\_\_

Number of Persons in Household \_\_\_\_\_

MONTHLY EXPENSE ANALYSIS	CURRENT	PROPOSED
<b>G. List all living expenses:</b>		
Food		
Household Supplies		
Utilities (gas, electric, water, sewer)		
Property maintenance/repair		
Transportation		
Telephone		
Cable Television		
Clothing		
Recreation/Entertainment		
Health Care		
Insurance (health, life)		
Taxes (income, F.I.C.A., personal property)		
Other (personal assistance, child care, pet costs, gifts, donations, religious offerings—list here or on separate sheet and enter total amount)		
<b>Total Monthly Living Expenses</b>	<b>(G-1)</b>	<b>(G-2)</b>
<b>H. Monthly Bills (Debt):</b>		
<b>Total Monthly Bills:</b>	<b>(H-1)</b>	<b>(H-2)</b>
<b>I. Total Non-Housing Expenses (G) + (H)</b>	<b>(I-1)</b>	<b>(I-2)</b>
<b>J. AMOUNT SPENT FOR HOUSING</b>		
<b>(J-1: Enter current rent/J-2: Enter proposed mortgage)</b>	<b>(J-1)</b>	<b>(J-2)</b>
<b>K. TOTAL MONTHLY EXPENSES</b>		
<b>ADD (I) + (J)</b>	<b>(K-1)</b>	<b>(K-2)</b>

Name of Borrower(s) \_\_\_\_\_

**INCOME AND MORTGAGE QUALIFYING ANALYSIS**

ENTER PROPOSED TOTAL EFFECTIVE INCOME (F-2) from p. 1	(F-2)
ENTER PROPOSED TOTAL MONTHLY EXPENSES (K-2) from p. 2 (should include mortgage payment and all expenses)	(K-2)
L. Subtract (K-2) from (F-2) and enter here. This is your <b>PROPOSED RESIDUAL INCOME</b> —NOTE: PROPOSED RESIDUAL INCOME CANNOT BE A NEGATIVE AMOUNT	

**QUALIFYING RATIO TEST**

ENTER (B-2) from p. 1	(B-2)
(i) Multiply amount from (B-2) x 1.25 and enter here	(i)
(ii) ADD (A-2) plus (C-2) from p. 1 and enter here	(ii)
(iii) TOTAL GROSS INCOME—Add (i) plus (ii) and enter here	(iii)
ENTER proposed mortgage amount (J-2) from p. 2 here	(J-2)
M. Housing Debt-to-Income Ratio: Divide (J-2) by (iii) and enter here	(M)
(iv) Add proposed monthly bills (H-2) from p. 2 plus proposed monthly mortgage (J-2) above and enter total here	(iv)
N. Total Debt-to-Income Ratio: Divide (iv) above by (iii) and enter here	(N)

NOTE: PROPOSED TOTAL DEBT-TO-INCOME RATIO MAY NOT EXCEED 50 PERCENT  
WITHOUT COMPENSATING FACTORS PER FANNIE MAE SELLING GUIDE

List any compensating factors or other comments here:

## WORKSHEET EXPLANATION

Whether you are applying for a HomeChoice loan or another type of mortgage loan, you should complete page 18 and 19 during your personal planning process, BEFORE you go to a lender to apply for a mortgage loan. If you are applying for a HomeChoice loan and have an income that is less than 50 percent of the area median income, you will be required to submit this budget worksheet with your loan application, and the lender will be required to verify your figures for income and expenses. Be sure to give as much information as possible to help the lender understand all of your sources of income and support and all of your expenses.

The categories and boxes are lettered and numbered to help you keep track of the figures and transfer amounts from one page to another as needed to see how much mortgage you qualify for. Following is a line by line description for the two-page budget worksheet.

### PAGE ONE: INCOME ANALYSIS

**A. Wage/Salary Income**—This includes all income you earn at a job(s). Put down your gross income, meaning your income before taxes or other deductions.

**B. Benefit Income**—Non-taxable: this category is for all government benefits that are not taxable, such as Social Security, Supplemental Security Income (SSI), Social Security Disability Income (SSDI), Food Stamps, Veterans Benefits, Aid to Families with Dependent Children (AFDC or ADC), and any state or local supplements to federal benefits.

**C. Other Funds Designated Specifically for Mortgage**—Includes any funds that can be used only to make a mortgage or other housing payment. Examples of such funds are the housing portion of room and board payments for a live-in personal assistant made through a state Medicaid Home and Community Based Services (HCBS) Waiver program, or housing payments designated from a special needs trust.

**D. Total Monthly Income**—Add the first three categories (A + B + C) together.

**E. Other Sources of Support**—You record any resources that cannot be counted by a lender as true income for purposes of calculating how much mortgage you qualify for. List cash support or non-cash support that has a dollar value and helps you with daily living expenses such as food, transportation, or home maintenance. Such items might include regular monthly financial support from a parent or family member, funds from a government or private source for personal assistance, food club or food voucher assistance, transportation vouchers, and other sources of support you might receive through a housing or support service organization. All items must be verifiable with documentation from the source of the support.

**F. Total Effective Income**—While lenders cannot count all of the above sources as true income, it is your "effective" income, meaning it includes all the resources you have to maintain your personal needs and a housing payment.

### PAGE TWO: MONTHLY EXPENSE ANALYSIS

**G. Living Expenses**—The best way to develop an accurate monthly expense budget is to track what you actually do spend on these items for at least six months to a year. Remember to make changes to any expenses that may increase or decrease

when you are living in your own home. The list of items shown may not include everything on your personal budget, so be sure to add any other items that are important to you. If you have included a specific resource for a specific expense on page one, such as \$60 for a bus voucher, you should also include that \$60 as an expense under "Transportation" in your monthly expense list. If your transportation expense is actually more than your voucher provides, then list the total or actual cost of transportation.

**H. Monthly Bills (Debt)**—This category is for credit card payments, student loans, car payment, or other consumer loans, and any other monthly payment(s) you are currently making that is not for a living expense. Your credit history should also reflect that you are making payments in this category.

**I. Total Non-Housing Expenses**—Add your living expenses to your bills.

**J. Amount Spent for Housing**—In the first column, enter what you currently pay for rent. In the second column, put what you think you will pay for a mortgage payment.

**K. Total Monthly Expenses**—This figure includes all your housing, living expenses, and bills. Your monthly expenses cannot exceed your total effective income (F) from Page One.

### PAGE THREE: INCOME AND QUALIFYING ANALYSIS

This page will be completed by a lender in most cases, although you might work on it on a preliminary basis with a home-buyer education provider or someone from your planning team.

**L. Residual Income**—Simply, this means any money you have left over at the end of the month after meeting all of your living expenses, bills, and housing payments. This amount must be greater than zero, and if there is not enough money here to give you a cushion for unexpected expenses, you could find yourself having trouble making your mortgage payment. Be sure that your monthly expense analysis covers every possible expense and gives you enough money for your needs so there will be as few surprises as possible that will affect your budget.

**M. Housing Debt-to-Income Ratio**—This is explained later in this chapter under the description of the HomeChoice mortgage. For conventional mortgage loans, lenders can make mortgage loans resulting in a monthly payment that is up to 28 percent of the borrower's income. Fannie Mae's Community Home Buyer's Program<sup>SM</sup>, including HomeChoice for borrowers with incomes between 50 and 100 percent of area median income (known as Group One borrowers), allow mortgage payments to take up to 33 percent of borrower income. With HomeChoice, borrowers with incomes at or below 50 percent of area median income (known as Group Two borrowers) may be allowed mortgages that take up to 50 percent of their incomes, as long as this budget worksheet is completed and approved by the lender.

**N. Total Debt-to-Income Ratio**—Lenders making conventional mortgage loans will allow the mortgage and monthly bills of a borrower to total up to 36 percent of their income. Fannie Mae's Community Home Buyer's Program, including HomeChoice for Group One borrowers, allows up to 38 percent. Group Two borrowers may have a total mortgage payment and debt ratio of up to 50 percent.

With other mortgage programs, various qualifying rules may apply. Please check with your lender for specific qualifying and underwriting requirements for different mortgage loans.

## GROUP TWO BORROWER BUDGET WORKSHEET

(NOTE: Pages one and two of Budget to be completed by borrower as part of home-buyer education and counseling AND verified by lender. Page three to be completed by lender.)

Name of Borrower(s) Joe Johnson

Prepared By Joe Johnson and Mary Johnson (mother)  
(name and relationship to borrower)

3/20/97

(Date Prepared)

Name of Lender Central City Mortgage Company

Verified By Jane Brown, Loan Officer

4/3/97

(name and title of lender representative)

(Date Verified)

## MONTHLY INCOME ANALYSIS

	CURRENT	PROPOSED
<b>A. List Wage/Salary Income (GROSS)</b>	85	85
<u>Job at library</u>		
<b>Total Wage/Salary Income</b>	<b>(A-1) \$ 85</b>	<b>(A-2) \$ 85</b>
<b>B. List Benefit Income (Non-taxable)</b>		
<u>Supplemental Security Income (SSI)</u>	494	
<u>494</u>		
<u>State SSI Supplement</u>	200	200
<u>Food Stamps</u>	60	60
<b>Total Benefit Income</b>	<b>(B-1) \$ 754</b>	<b>(B-2) \$ 754</b>
<b>C. List Other Funds Designated Specifically for Mortgage</b>		
<b>(Attach documentation):</b>		
<u></u>		
<u></u>		
<b>Total Other Funds</b>	<b>(C-1) zero</b>	<b>(C-2) zero</b>
<b>D. Total Monthly Income (A)+(B)+(C)</b>	<b>(D-1) \$ 839</b>	<b>(D-2) \$ 839</b>
<b>E. List Other Sources of Support and Dollar Amounts or Value</b>		
<b>(these amounts may be included in income and expense analysis, but may NOT be used to calculate qualifying ratios—also, funds available for a specific type of support that are listed as income MUST also be reflected in monthly expenses on page 2)</b>		
<u>Money from Mother (Father's pension, documented)</u>	100	100
<u>Personal assistant funding support</u>	800	800
<b>Total Other Supports:</b>	<b>(E-1) \$ 900</b>	<b>(E-2) \$ 900</b>

Name of Borrower(s) Joe JohnsonNumber of Persons in Household one**MONTHLY EXPENSE ANALYSIS****CURRENT****PROPOSED****G. List all living expenses:**

Food	170	170
Household Supplies	20	30
Utilities (gas, electric, water, sewer)	80	100
Property maintenance/repair	0	50
Transportation	50	50
Telephone	30	30
Cable Television	24	0
Clothing	50	40
Recreation/Entertainment	20	20
Health Care	0	0
Insurance (Health, Life)	0	0
Taxes (Income, F.I.C.A., personal property)	0	0
Other (personal assistance, child care, pet costs, gifts, donations, religious offerings—list here or on separate sheet and enter total amount)	0	0
Personal Assistant	800	800
Church Offering and Personal Gifts	28	28
<b>Total Monthly Living Expenses</b>	<b>(G-1) \$1,272</b>	<b>(G-2) \$1,318</b>

**H. Monthly Bills (Debt):**

(Joe paid off his one credit card during  
his homebuyer education process)

<b>Total Monthly Bills:</b>	<b>(H-1) zero</b>	<b>(H-2) zero</b>
<b>I. Total Non-Housing Expenses (G) + (H)</b>	<b>(I-1) \$1,272</b>	<b>(I-2) \$1,318</b>

**J. AMOUNT SPENT FOR HOUSING**

<b>(J-1: Enter current rent/J-2: Enter proposed mortgage)</b>	<b>(J-1) \$ 380</b>	<b>(J-2) \$ 420</b>
---	---------------------	---------------------

**K. TOTAL MONTHLY EXPENSES**

<b>ADD (I) + (J)</b>	<b>(K-1) \$1,652</b>	<b>(K-2) \$1,738</b>
----------------------	----------------------	----------------------

Name of Borrower(s) Joe Johnson**INCOME AND MORTGAGE QUALIFYING ANALYSIS**

ENTER PROPOSED TOTAL EFFECTIVE INCOME (F-2) from p. 1	(F-2) \$1,739
---	---------------

ENTER PROPOSED TOTAL MONTHLY EXPENSES (K-2) from p. 2 (should include mortgage payment and all expenses)	(K-2) \$1,738
---	---------------

L. Subtract (K-2) from (F-2) and enter here. This is your <i>PROPOSED RESIDUAL INCOME—NOTE: PROPOSED RESIDUAL INCOME CANNOT BE A NEGATIVE AMOUNT</i>	(L) \$ 1
---	----------

**QUALIFYING RATIO TEST**

ENTER (B-2) from p. 1	(B-2) \$ 754
-----------------------	--------------

(i) Multiply amount from (B-2) x 1.25 and enter here	(i) \$ 942.5
--	--------------

(ii) Add (A-2) plus (C-2) from p. 1 and enter here	(ii) \$ 85
--	------------

(iii) TOTAL GROSS INCOME—Add (i) plus (ii) and enter here	(iii) \$1,027.5
---	-----------------

ENTER proposed mortgage amount (J-2) from p.2 here	(J-2) \$ 420
--	--------------

M. Housing Debt-to-Income Ratio: Divide (J-2) by (iii) and enter here	(M) 40.9%
---	-----------

(iv) Add proposed monthly bills (H-2) from p. 2 plus proposed monthly mortgage (J-2) above and enter total here	(iv) \$ 420
--	-------------

N. Total Debt-to-Income Ratio: Divide (iv) above by (iii) and enter here	(N) 40.9%
--	-----------

*NOTE: PROPOSED TOTAL DEBT-TO-INCOME RATIO MAY NOT EXCEED 50 PERCENT  
WITHOUT COMPENSATING FACTORS PER FANNIE MAE SELLING GUIDE*

List any compensating factors or other comments here:

## YOUR CREDIT RECORD

In evaluating any loan request, the lender will want to check the buyer's credit record. Typically, the evaluation includes obtaining a credit report that shows the buyer's credit history which includes how much money the person owes. For people with disabilities, there may be some unique issues with their credit history. Three of the most common issues are described below.

### LACK OF CONTROL OVER ONE'S OWN MONEY

Many people with disabilities have lived their entire adult lives in situations where their finances were managed by others. Whether you lived with your parents, or in a boarding home, nursing home, institution, group home, or in some other supported living situation, a service provider or a parent probably paid your bills. In fact, the bills to pay for your housing costs may have been in someone else's name or an agency's name. In this situation, you would not have had an opportunity to develop a credit history. Therefore, your credit report would show no record of paying bills or making other regular payments.

### LACK OF EMPLOYMENT EXPERIENCES

Another issue that may make it difficult to develop a credit history is a lack of job experiences. If you lived in an institution, you may never have had a job. Perhaps you shared a job with a group of people who received assistance from an agency. If you were moved frequently, you may have had to leave jobs because transportation was unavailable. You may not have had access to the appropriate training and ongoing assistance with a job. Because earning too much money jeopardized your benefits, you may have only held part-time positions. For whatever reason, if you have not had steady employment, you may not have been able to establish a credit history.

### LACK OF EVIDENCE OF BORROWING OR SAVING MONEY

If someone else has managed your money for you, chances are you have not had the opportunity to borrow money. If you have never had a loan to repay or had a credit card in your name, it is difficult to demonstrate that you are capable of repaying money that you borrow.

If you have income in the form of public benefits, there are probably restrictions about how much money you may have at any one time. Typically, a person receiving these benefits can accumulate only a very small amount of money in a savings account, making it impossible to show an ability to save money.

## NONTRADITIONAL CREDIT

If you do not have a traditional credit record that shows payments made on credit card purchases, a car loan, or a student loan, it is still possible to establish a credit history. For example, you can build a nontraditional credit history by documenting your monthly payments to:

**previous landlords or property managers;**  
**utility companies for electricity, gas, water, and telephone services;**  
**cable television companies; and**  
**insurance companies for medical or life insurance.**

The documentation of payment of these bills is called a nontraditional credit history. Even though these payments will not appear on a credit report, you can show proof that you paid them with canceled checks, receipts, and reference letters from creditors.

You can also document payments to cover housing costs made by an agency, guardian, or representative payee on your behalf as proof of regular payments. Obtaining this information from an agency may be complicated, especially if you live in a group home or an apartment with other people. The money that you and others pay to the agency for housing and assistance, along with any other funding the agency receives to provide these services, is combined to cover all of their expenses. It may be difficult for an agency to determine exactly how much money is spent on behalf of one individual. It is a good idea to ask for this information early in the process, as it may take some time for the agency to locate and organize the information you need.

## ESTABLISHING A CREDIT RECORD

You can start now to establish a credit record. Be sure that all of the bills for your housing and other expenses are in your own name, rather than that of an agency or another person. You should open your own checking account and should pay your bills from this account. Having a checking account is a means of demonstrating financial responsibility. Borrowing money and then paying it back will also begin to establish a credit history. If it is possible to take out a small loan and pay it off on time, this will further indicate to a lender that you are capable of meeting your financial obligations. Begin now to save all documents that will help you to establish a credit record, such as bank statements, receipts, and canceled checks.

## HOW TO ACCESS YOUR CREDIT RECORD

Your credit record is compiled by credit bureaus and made available to lenders and others if you apply for loans or items such as credit cards. You may request a copy of your credit record from these companies, usually referred to as "credit reporting agencies." The three major credit bureaus are Experian (1-800-353-0809), Trans Union (1-800-680-7293), and Equifax (1-800-556-4711). Others may be listed in the Yellow Pages of your phone book. Usually, there is a small fee for a copy of your credit report, although in many states you may obtain one free copy per year. If you

have been denied credit because of a poor credit history, you can receive a credit report for free. It is recommended you obtain a copy of your record, so that you know where you stand before you begin the process of purchasing a house. The "Additional Resources" section at the end of this manual lists some commonly used credit reporting agencies.

### REPAIRING A BAD CREDIT RECORD

You may find that your credit record reflects you did not always pay your bills in a timely manner in the past. If you are currently having credit problems, you may not be in a position to buy a house until these issues are resolved. To proceed would only add to your problems. For assistance with credit problems, contact a consumer credit counseling agency or homeowner counseling agency in your area. To find the nearest consumer credit counseling agency, call 1-800-388-2227. Homeowner counseling agencies can be found in the Yellow Pages of your phone book, or call 1-800-7FANNIE for more information.

If, on the other hand, your credit problems are behind you, your current record of paying your bills may satisfy and convince a lender that you will repay your mortgage on a timely basis. By law, most unfavorable credit information must be eliminated from your credit file after seven years. A bankruptcy remains on your credit report for seven to ten years.

### CORRECTING AN INACCURATE CREDIT RECORD

Unfortunately, credit reports are sometimes inaccurate or give a misleading picture of past credit problems that have been resolved. You may have bad credit due to incorrect billing for medical expenses by agencies such as Medicare. If this is the case, bring it to the attention of your lender. If you find any errors on your credit report, you will want to have them corrected before you apply for a mortgage. To correct errors, you must write to the credit reporting agency and ask it to investigate the items you believe are incorrect. Credit agencies are required to follow up and to inform you of their findings. If the error is still not corrected, you may need to take further action. Usually, the credit reporting agency will tell you what steps you need to take. If you disagree with any portion of your credit report, the credit agency must include your explanation of the situation in future reports.

Note: You may obtain a free copy of a Federal Trade Commission publication entitled "Building a Better Credit Record" by contacting Fannie Mae HomePath Services at 1-800-7FANNIE (or 1-800-732-6643). This free publication is available in both English and Spanish.

### HOW CAN YOU INCREASE YOUR BORROWING POWER?

A number of approaches have been discussed to give you the greatest opportunity to buy the house that is right for you. Along with a review of these approaches, we explore other resources that may be helpful.

## IDENTIFYING NEED

Before you begin to explore the financing options available to you, it is important to have a clear idea of how much money you will need to obtain from outside sources. If you have taken a good look at your income and expenses and carefully considered the other suggestions in this chapter, you should be fairly certain of your needs. You will also want to think about what types of ongoing assistance you may need if you buy a home.

## GETTING PRE-QUALIFIED BY A LENDER

Later in the process you will probably sit down with a lender to discuss how much you can afford to pay for a monthly payment, or PITI. This process is called pre-qualification because it qualifies you for the amount the lender may be willing to lend you when you find a house. If you are pre-qualified by a lender, you will have a good idea of the price-range for a house that you are able to afford. For now, you may estimate how much you can spend for a house by completing the budget worksheets in this chapter.

## BLENDING RESOURCES

As we discussed earlier in the chapter, using a combination of a person's available resources increases their chances of purchasing a house. As people with disabilities begin to look at nontraditional funding from a number of sources, they become successful homeowners. New collaborations between people with disabilities, lenders, family members, and people who provide assistance have been invaluable in this process.

To illustrate how resources from several sources can be combined to make purchasing a home a reality, let's look at Joe's situation. Joe found a house he wanted to buy, with a purchase price of \$60,000. He received a combination of a mortgage loan, grants, secondary loans (all the secondary loans were 30-year forgivable loans with no accruable interest and payable only upon sale of the home), and gifts. He received a loan from a private lender for \$35,000 and used a combination of grants and loans for a down payment of \$25,000. Joe's closing costs totaled \$4,500 and were covered by a combination of grants and a second mortgage. Joe's church paid for needed house repairs costing \$500. Renovations needed to make his home accessible totaled \$6,000 and were paid for with a combination of gifts, grants, and a secondary loan. The chart that follows shows the various funding sources that were blended to make it possible for Joe to complete the purchase.

While Joe's situation provides us with an example of someone who used a combination of several different resources to purchase a home, it must be noted that an identical combination of resources is unlikely to occur. Using Joe's resources as an example provides a look at the variety and type of resources that may be used. Each home seeker will put together his or her own combination of funding sources depending upon that individual's income, benefits, and collaborations established with local lenders and community organizations.



**CHART OF RESOURCES JOE USED TO PURCHASE HIS HOME\***

<b>SALE PRICE</b>	<b>\$60,000</b>
Loan from Private Lender	\$35,000
Second Mortgage from Housing Finance Agency	\$10,000
Borrower's Funds	\$ 250**
Community Development Block Grant (City)	\$ 3,750
HOME Funds (through city) Secondary Loan	\$ 5,000
Grant from Division of Mental Health and Developmental Disabilities	\$ 5,000
<b>CLOSING COSTS</b>	<b>\$ 3,000</b>
Secondary Loan from Housing Finance Agency	\$ 963
Grant from Division of Mental Health and Developmental Disabilities	\$ 837
Service Provider Agency	\$ 800
Grant from First-time Home Buyers' Program (County)	\$ 400
<b>REPAIR</b>	<b>\$ 500</b>
Church contribution	\$ 500
<b>REHABILITATION</b>	<b>\$ 6,000</b>
Grant from County Housing Endowment	\$ 1,000
Federal Home Loan Bank (secondary loan)	\$ 3,000
Community Action Program (CAP) grant	\$ 1,000
Gift from Joe's mother	\$ 500
United Way grant	\$ 500

Note: This guide is dedicated to the idea that home financing must be creatively tailored to each person's unique circumstances. It is hoped that by sharing experiences and resources, you may learn strategies that will be helpful as you continue through your home-buying process.

\* This table's purpose is to identify all of the possible funding sources a person may be eligible for. Every borrower may not be eligible for all of these sources of funding.

\*\* For some mortgage programs, like Fannie Mae HomeChoice.

## TRUSTS

Establishing a trust is one way for parents and other family members to give money or property to an adult child with a disability. A trust is a fiduciary arrangement established by a legal agreement between two or more people where one person places money or property in the name of an individual or a bank (the trustee) for the benefit of another person (the beneficiary). The trustee owns the property but is legally required to use the money or property for the benefit of the beneficiary. By creating the appropriate type of trust, parents may give a gift of down payment money, so that their son or daughter will not lose public benefits. A trust is a complex legal document that can affect public benefits and taxes. If you are considering this option, it is important to consult an attorney who specializes in trusts.

## RESOURCES OTHERS HAVE USED

People with disabilities have been successful in purchasing homes. Some of the resources they used are described next. Most of the funds listed were obtained through lenders.

### HOUSING FINANCE AUTHORITIES

Housing Finance Authorities in several states have developed strategies for helping people with disabilities become homeowners. Working cooperatively with people with disabilities and service providers, Housing Finance Authorities may be able to provide funds to assist in securing down payment, closing costs, renovation assistance, and low interest loans.

### FANNIE MAE

For people with low- to moderate-incomes and limited savings, the greatest barriers to homeownership are coming up with the down payment and closing costs, and managing housing expenses that often are higher than the qualifying guidelines permitted in traditional mortgage lending.

Fannie Mae, in cooperation with housing providers, offers financing options that are designed to overcome common barriers to homeownership experienced by low- and moderate-income households. These options are offered in partnership with lenders, mortgage insurers, government agencies, and non-profit organizations across the country.

### FEDERAL HOME LOAN BANK

The Federal Home Loan Bank System, created by Congress in 1932, was intended to promote home financing. There are now 12 Federal Home Loan Banks (FHLB) in various cities around the country. These banks do not lend money to individuals. Their

role is to loan money to Federal Home Loan lenders specifically involved with housing finance. In particular, they are interested in ensuring that lenders offer financing to low-income buyers.

### COMMUNITY-BASED ORGANIZATIONS

There may be community grants or loans that are unique to your city or county. For example, Joe received money for his down payment from Community Development Block Grant (CDBG) funds and a secondary loan from HOME funds allocated to his city. In addition, he received funds from the county through a first-time home buyers' program. Joe was eligible for these funds because of where he lived. To find out if there are such grants or loans available in your area, check with your city or town hall, county office, the Chamber of Commerce, and the public housing agency in your area.

### CDBG (HUD)

Each year, the U.S. Department of Housing and Urban Development (HUD) provides money in the form of Community Development Block Grants (CDBG). A portion of these funds is to be used to enhance neighborhood appearance. Grants for direct assistance with homeownership are available to certain qualifying individuals.

### HOME (HUD)

Another pool of grant money available from HUD is through the HOME program. HOME dollars are given to states and local communities to be used to increase affordable housing opportunities. Under certain circumstances, this may include assistance to first-time home buyers in the form of loans, down payment assistance, closing costs, and renovation assistance.

### HOUSING FOUNDATIONS

In most communities, there are numerous non-profit housing and community development organizations whose goals are to see that all people with low incomes have the opportunity for affordable housing. These organizations can provide information on financing, down payment assistance, counseling, and home improvement.

### BORROWER FUNDS

In many cases, borrowers have contributed money from earnings, savings, inheritances, or legal settlements.

## GOVERNMENT-INSURED LOANS

Mortgage loans are available through three programs of the federal government: the Federal Housing Administration (FHA) mortgage insurance program operated by the U.S. Department of Housing and Urban Development (HUD), the Veterans Administration's (VA) loan guarantee program, and the Rural Housing Service (RHS) loan program. To obtain any of these loans, you apply through a lender that is approved to handle them. Each one is described briefly below.

### FHA LOANS

With FHA insurance, you can purchase a home with a very low down payment (from 3 to 5 percent of the FHA appraised value or the purchase price, whichever is lower). FHA mortgages have a maximum loan limit that varies, depending on the average cost of housing in a given region.

### VA LOANS

The VA guarantee program allows qualified veterans to buy a house costing up to \$203,000 with no down payment. Moreover, the qualification guidelines for VA loans are less strict than for either FHA or conventional loans. If you are a qualified veteran, this is an attractive mortgage program. The VA also offers a special adaptive housing program for veterans with disabilities. To determine whether you are eligible, check with your nearest VA regional office.

### RURAL HOUSING SERVICE (RHS) LOANS

The Rural Housing Service, formerly known as the Farmers Home Administration, a branch of the U.S. Department of Agriculture, offers mortgage loans with no down payment requirement and with low interest rates to low-income families and market interest rates to moderate-income families who live in rural areas. Generally, "rural areas" include settled places having a population of less than 10,000, or less than 20,000, if outside any Metropolitan Statistical Area (MSA). Check with your local RHS office or a local lender for eligibility requirements, or contact Fannie Mae HomePath Services at 1-800-7FANNIE (or 1-800-732-6643).

### STATE AND LOCAL LOAN PROGRAMS

A number of states sponsor programs to help first-time home buyers qualify for mortgages. Along with local housing agencies, states offer loans that include low down payments or low interest rates to buyers who meet certain guidelines.

## ALTERNATIVE FINANCING MORTGAGES

In addition to mortgage programs that have been designed specifically for people with disabilities, there are other mortgage programs geared toward first-time home buyers that could be helpful.

Each of these options is examined next, along with ways in which they can be combined to make it easier for those with low and moderate incomes to obtain affordable housing.

### FANNIE MAE HOMECHOICE

HomeChoice is a single-family mortgage loan developed by Fannie Mae to meet the needs of low- and moderate-income people who have disabilities or who have family members with disabilities living with them. HomeChoice mortgages are fixed-rate loans with 15- to 30-year terms and can be used to purchase owner-occupied, principal residences. HomeChoice mortgage loans are available through Fannie Mae-approved lenders working in partnership with groups of organizations, called coalitions, that have come together to create homeownership opportunities for people with disabilities.



The benefits to borrowers include lower down payment requirements and more flexible qualifying and underwriting for low-income borrowers. Depending on your income, the cash required from you for a down payment may range from as low as \$250 up to 2 percent of the price of the house or the appraised value of the house, whichever is less. The balance of the required 5 percent down payment may be made with gifts, grants, or soft second mortgages. Closing costs, property repairs, and access modifications may also be made using gifts, grants, or soft second mortgages.

HomeChoice gives lenders additional flexibility in their standard qualifying requirements, that may increase your purchasing power. Typically, lenders require that your total housing costs (mortgage payment, property taxes, and insurance) equal no more than 28 percent of your monthly gross income (called the housing expense-to-income ratio) and that your housing costs plus your other long-term debts total no more than 36 percent of your monthly gross income (your total monthly expense-to-income ratio). HomeChoice allows higher qualifying ratios, which means you need less income to qualify for a mortgage.

If you are a borrower whose income is at or below 50 percent of area median income, you may qualify for a mortgage if your monthly housing costs plus your other long-term debts total no more than 50 percent of your monthly gross income. You must also complete a budget worksheet described earlier in this chapter that shows your monthly income and expenses and provides evidence that you can meet your housing and other living expenses even with the higher monthly expense-to-income ratio. Borrowers whose incomes are between 50 and 100 percent of area median income may qualify based on monthly housing costs not more than 33 percent, and total monthly housing and debt expense not more than 38 percent of their gross income.

### ADJUSTABLE-RATE MORTGAGE (ARM)

With a fixed-rate mortgage, the homeowner's monthly principal and interest payments never change because the interest rate is fixed for the life of the loan.

With an ARM, the interest rate paid by the borrower is adjusted from time to time to bring it in line with changing market rates. This means that when interest rates go up, your monthly mortgage payments go up as well, sometimes significantly. On the other hand, when interest rates go down, your monthly mortgage payment should also go down.

ARMs are attractive to some borrowers because they may initially offer a lower interest rate than fixed-rate mortgages. Since the monthly payments on an ARM generally start out lower than a fixed-rate mortgage of the same amount, the home buyer qualifies for a larger loan. The chief drawback, of course, is that your monthly payments will increase when interest rates go up. How much your payments can increase will depend on the terms of your mortgage. Before agreeing to an ARM, be sure you know how high your monthly payments could possibly go—the so-called "worst case scenario." Most mortgage lending institutions are required by law to provide you with this "worst case scenario."

You may want to consider an ARM if it's the only way you can afford to buy a house, and you are confident that your income will increase enough in the coming years to comfortably handle any increase in payments. If you are not confident that your income will increase in the years ahead and enable you to handle any payment increases that result from increasing interest rates, you should generally avoid using an ARM.

### THE TWO-STEP MORTGAGE®

The Two-Step Mortgage is a type of ARM in which the interest rate is adjusted only once (at the end of either five or seven years after settlement). The new rate then remains in effect for the remaining years of the loan. This loan typically carries a lower initial interest rate than a traditional fixed-rate mortgage and it protects home buyers from rising interest rates during the early years of homeownership, prior to the interest rate adjustment. For those homeowners who anticipate that they will move (and repay their mortgage) within five or seven years of buying a home, this may be a very appealing mortgage. However, if you are planning to buy a home to settle in for the long-term or it appears that market interest rates will increase, you may prefer a fixed-rate mortgage that offers you the certainty that your monthly principal and interest payments won't increase to a level that may become difficult or impossible to manage.

### SELLER TAKE-BACK MORTGAGE

With certain types of loans, you may be allowed to use a seller take-back mortgage. If a seller has not paid off the entire mortgage, you may be able to assume the balance of what is owed. Assuming a mortgage means taking over the responsibility for paying it off. If the interest rate on the seller's mortgage is lower than the current rates, this may be to your advantage. In addition, the balance on the mortgage may be far less than the purchase price of the house. This means you must either come up with a very large down payment, or get the owner to finance all or part of the difference. If the owner is willing to finance the difference, be sure you can afford both mortgages.

## ARE YOU READY FOR HOMEOWNERSHIP?

Now that you have finished reading this chapter, you may decide that you are ready to begin the process of purchasing a home. If you decide now is not the ideal time for you, you can begin planning for a time in the future when it might make more sense.

If you decide to begin now, there are some questions you can ask yourself to confirm that you are making the right decision.

### QUESTIONS

Have you decided that owning a home of your own is what you want?

Are you ready to settle down in one neighborhood for a long period of time?

After looking at your income and expenses, do you think you can afford to own a home?

Are you willing to do a lot of hard work and have patience throughout the process of purchasing a home?

If you have a guardian, have you talked with that person to see if he or she is supportive of the idea of homeownership?

Are you willing to sacrifice some "extras" in order to own your own home?

### CHECKLIST

Begin to think about people who could provide you with assistance.

Talk with your guardian, if you have one.

Create a budget.

Obtain a credit report.

Read Chapter Two.

## SUMMARY

Using this guide will give you a head start in the mortgage loan process. By now, you have completed the budget worksheet to determine the total amount of your income and expenses. In addition, you have obtained a credit report. These steps will help you to determine whether and how much you can afford to pay for a house.

Chapter Two will introduce you to the concept of person-centered planning. You will learn how to choose a facilitator, a housing counselor/educator and a team of people who know you well enough to assist you in the home-buying process. Together with this team of people, you will develop an action plan that will help you find the house that is right for you.

Chapter Three, "Hitting the Streets," will take you through the steps of shopping for a house.

Chapter Four, "Obtaining a Mortgage," helps you prepare for approaching a lender and obtaining the necessary financing.

Remember that the hard work you do now will give you the best chance to obtain a home of your choice, where you make the decisions!



C H A P T E R 2

P L A N N I N G



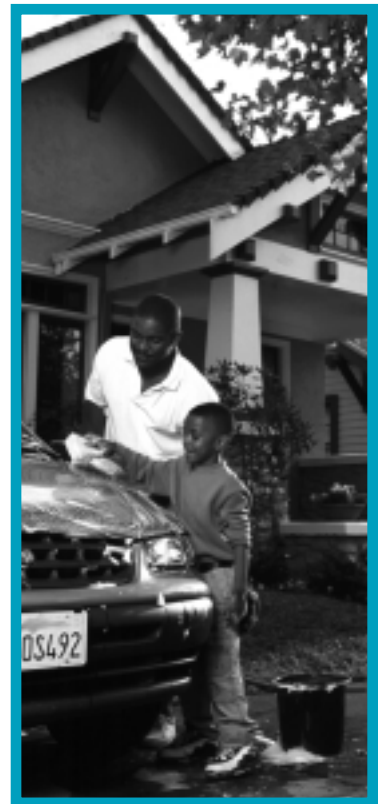
## O V E R V I E W

Congratulations! You have made the decision to buy a home. Chapter One was an overview of what you needed to think about as you decided whether buying a home made sense for you. You also began some preliminary work, such as completing the budget worksheets, determining the price of a home you can afford, and beginning to think about your planning team. In Chapter One, we also reviewed Joe's financial situation and learned how resources were blended to make his home purchase possible.

Now that you know the price range that you can afford to spend for a house, you are ready to move forward. In Chapter Two, the work begins. The important first step is to create an action plan. According to many successful home buyers, developing and implementing a carefully thought-out plan is well worth the time and effort.

In this chapter, you will learn about a successful planning process for buying a home that many people have found extremely helpful. This process involves a “person-centered” approach in which you, the buyer, make all the decisions about where you will live, in what type of house, and with whom. The person-centered planning process is just one approach that you, along with the people who are assisting you, may choose to use or to modify to fit your unique situation.

Chapter Two begins with an overview of the “person-centered approach” and how it may be applied to the homeownership planning process. Next, each of the four stages of the proposed planning process is described. In Stage 1, you will lay the groundwork for planning when you (a) choose a facilitator, one person on whom you can depend throughout the entire process; and a housing counselor/education provider, a person who is trained and certified to assist you throughout the home buying process; (b) decide who else can help with the process; and (c) create personal profiles as a mechanism to help you think about your life, needs, wants, and homeownership dreams. These profiles may be shared with others to help them learn about you and the things that are important to you. The second stage, or Stage 2, involves gathering a group of supporters around you, beginning with an initial meeting. In Stage 3, you will document your dreams, needs, and wants for a house, neighborhood, and assistance.



The fourth and final stage, Stage 4, includes turning your thoughts to actions. In this stage, you will document the opportunities that are available to you to help achieve your dream of homeownership, as well as the obstacles that must be overcome. Then, you will create and implement an action plan that will take you from dreaming to inserting the key in your own front door. Finally, a checklist has been included at the close of the chapter that may help you keep track of the process along the way.

Throughout all four stages, we will use Joe's examples to illustrate and describe the process.

## A PERSON-CENTERED APPROACH

### WHAT IS A PERSON-CENTERED APPROACH?

Historically, people with disabilities were not included, or even consulted, in planning and decision-making that directly affected their lives, particularly, regarding where and with whom they lived and how they spent their time. The long-held belief was that someone else knew what was best for the individual, be they service providers, parents, guardians, physicians, or others. Worse yet, those responsible to make plans on behalf of an individual often had no relationship with, or had never even met that person. In addition, people were viewed in terms of their differences, diagnoses, and deficiencies, rather than their gifts, talents, and similarities to people without disabilities.

Thanks to the efforts, creativity, and writings of people like Beth Mount, Connie Lyle O'Brien, and John O'Brien<sup>1</sup>, new ways to think and talk about assisting people with disabilities have been discovered. In this new way of thinking, all planning for people with disabilities is done with the individuals themselves at the center of the process. This approach is known as a "person-centered" approach.

The person-centered approach begins with the simple notion that you know best what is right for you. The starting point for any life change or decision must begin with you. The individuals who surround you become resources to help you accomplish your goals and realize your dreams, but they are not in charge of your life. Another critical difference in person-centered planning is that the focus is on your gifts, talents, and capacities. Your disabilities or differences are only important in determining how you will be assisted to live the life that you desire. In this case, that includes owning your own home.

If you think of a circle with many layers or rings around it, you can visualize what the term "person-centered" really describes. Picture yourself at the very center of



<sup>1</sup> Please refer to O'Brien, C., O'Brien, J., & Mount, B (1997) *Person-Centered Planning Has Arrived...or Has It?* In *Mental Retardation* Vol. 35 No. 6, (pgs. 480-484), Washington, DC: American Association on Mental Retardation.

the circle. The rings around you are filled with relationships, places, events, and experiences. These rings create a kind of cushion that not only makes life more meaningful, but also provides you with the assistance you need. In planning to buy a home of your own, the person-centered approach can be applied. You take center stage and others assist you in whatever ways you need, including documenting your needs and wants, finding the ideal house and neighborhood, brainstorming solutions to overcome obstacles, finding affordable furniture, and planning a housewarming party.

The circle of people who provide assistance with the home-buying process may include people whom you have known for a long time, as well as people you have recently invited to join your circle, or planning team. You might start out with a small group of people and find that you invite new people as you need more assistance with specific issues. For example, you or other planning team members might know a real estate agent, a contractor, or a banker who could be helpful in your home-buying process.

Some members of your planning group may be involved for the length of time it takes for you to reach your goal of purchasing a home. Others may stay involved for a much longer time, continuing to provide assistance or be connected to you in other ways once you move into your new house.

## STAGE 1: LAYING THE GROUNDWORK

### CHOOSING A FACILITATOR

As we mentioned in Chapter One, the process we describe is just one of many different approaches. You may choose to follow it closely, use it as a rough guide, take just some of the suggestions offered, or not use it at all.

For many first-time home buyers, the process can be complex and overwhelming. Choosing one person on whom you can depend throughout the entire process will be very helpful. This person could act as a partner, an advocate, an interpreter, and an organizer. He or she becomes the champion of your dream of homeownership, helping to sustain you and the others and helping you through the successes and challenges. Your facilitator can help you decide which people you want to invite to provide you with assistance.

A facilitator should be someone who is willing and able to make a significant commitment of time and energy. Preferably, you will want to choose a person with whom you have a long-term relationship. Your facilitator could be a friend, a family member, or someone (paid or unpaid) who provides you with assistance. It is important that you have confidence in this person, as the two of you will be working closely together for a significant period of time.

## CHOOSING A HOUSING COUNSELOR/EDUCATION PROVIDER

As we discussed in Chapter One, the second key person to have on your team is a housing counselor. A housing counselor/education provider is a person who is trained and certified to assist prospective home buyers throughout the purchase process. This person can be helpful with many aspects of home buying. He or she can help with finding a lender, completing forms and contracts, and determining how much to spend for a good faith deposit. The housing counselor can answer questions about how to choose a real estate sales professional, the different types of loans that are available, and what to expect at the closing. Housing counselors typically work for non-profit organizations. To locate a housing counselor/education provider in your area, contact Fannie Mae HomePath Services at 1-800-7FANNIE (or 1-800-732-6643).

## DECIDING WHO WILL HELP

Once you have chosen a facilitator, the next step is to decide whom you want to include in the process of purchasing your home. Remember that this process can be a lengthy, frustrating, and perplexing one. Homeowners have found that a vital factor in their success was engaging people who could provide assistance in a variety of ways. For instance, having people available who can help to fill out forms and applications, make phone calls, or just provide moral support can make the purchasing process much easier.

The number of people you choose is not important. The critical factor is that the people who become part of the group are committed to working together with you to reach your final goal. These individuals must share your dream of owning a home and be willing to use their personal connections, experience, and creativity to help you realize your dream. They must be prepared to work in harmony with all the others you choose. They must be willing to do a lot of hard work and not become discouraged when obstacles arise or problems occur. In short, you should choose people who are prepared to be with you for the long haul.

## CREATING PERSONAL PROFILES

Before you invite people to come together to talk about your desire to purchase a home, you and your facilitator should create a number of personal profiles. A personal profile is an organized way of describing your life, or a particular aspect of it. It is not a history that includes all of the details of your life; rather, it is an outline that highlights the most important facts about your life and will help others to better understand who you are. You may want to seek input from others with whom you are comfortable, and who know you well, to help you recall key events in your life.

Documenting all of this information in writing serves several purposes. First, the profiles will help you and others remain focused on you. Second, they will provide

a point of reference as you work through the planning process. Recording the major events of your life in one place provides an efficient way to update new people who join your planning group.

Sharing your profiles with the people who provide you with assistance is an excellent way to communicate why owning a home is so important to you. If others understand your history, with its disappointments, joys, struggles, accomplishments, and preferences, as well as your hopes and dreams for the future, they will be in a better position to represent, advocate, or negotiate on your behalf. There are a number of different personal profiles that can be used to help the people who provide you with assistance to get to know you better. They are:

**Significant life events.** This profile indicates the events from birth to the present that have had a major impact on your life. These may include events such as births (your birth, the birth of a sibling, or the birth of your children); the death of a family member or someone close to you; the identification of a disability or diagnosis of a major illness; a divorce in your family; a job hiring or firing; educational experiences; or a change in your living situation. One way to put together this profile is to draw a timeline that begins with your birth at one end and extends to the present time. Your significant life events are written along the line in chronological order.

**Relationship profile.** In a relationship profile, you identify family members, friends, significant others, and key assistance people. Start by drawing a circle with you in the center. Think about the people who are important to you and the sort of relationship you have with each of them. Place the people who are closest to you, or with whom you would like to spend more time, nearest to the center of your circle. The individuals with whom you are not as close, or with whom you do not spend as much time, may go in the outer area of the circle. Are there people you want to live closer to? Who will you want to assist you in your home-buying venture?

**Preferences.** In this profile, you describe how you would like to spend your time and with whom. Divide a sheet of paper down the center. Think about the things that keep you feeling happy and productive. List these things on one side of the paper. Include activities that you find exciting, fun, challenging, and worthwhile. On the other side of the page, specify the things that cause you to feel frustrated, bored, and unhappy. Knowing your preferences will help to clarify what type of home, neighborhood, and assistance will make the most sense for you.

**Places frequented.** This profile explores where you spend your time. Divide a sheet of paper into five columns with headings that represent your place of employment and the specific hours that you work; where and how you spend your leisure time; where you spend weekends and holidays; which, if any, place of worship you attend; and which friends and family members you visit on a regular basis. Along with what is happening now, it is helpful to think about what you would like to see happen in the future. For example, are there places you would like to go more often? Do you want more opportunities to spend time in places that are not just for people who have disabilities? Are any of these places unique or can similar places be found in any community or neighborhood?

**Decision making.** In this profile, you examine the amount of control you have over your own life in terms of major decisions. Do you (or does someone else) decide where, how, and with whom you spend your time? List the decisions you make on one side of a page and list those made by others on the opposite side. Ask yourself if some of these decisions are dictated by your current living situation. Think about ways that you could exercise more control in your life.

**Assistance needs and abilities.** This profile will describe those things that you can do on your own, or that you could do on your own under different circumstances. Divide a sheet of paper down the center. On one half of the page, write down a list of your talents, gifts, and abilities (including those things that you do for yourself). On the other half of the page, list the things that you need assistance with, or that you may need assistance with if you were living in your own home. Of the things that you may need assistance with, note which ones you could do for yourself with the right assistance. For example, if you need help getting in or out of the shower, would the right shower design make it possible for you to do this on your own?

### EXAMPLES OF JOE'S PROFILES

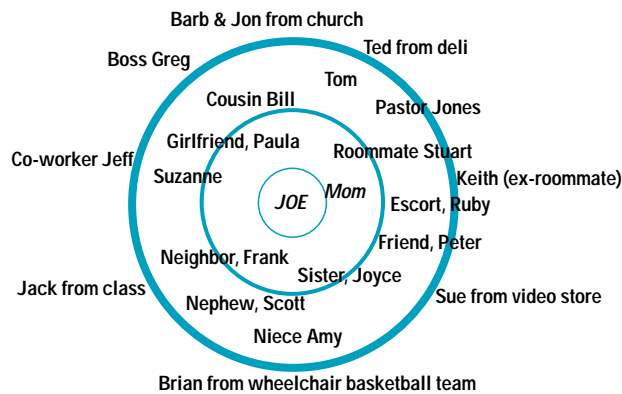
Joe and the people who assist him used person-centered planning to help him purchase his own home. To get a better idea about how personal profiles work, let's look at Joe's profiles:

#### SIGNIFICANT LIFE EVENTS PROFILE

11/16/50 ————— Joe is born, has one older sister (Joyce)  
 01/10/53 ————— Brother John is born  
 06/01/56 ————— John dies  
 09/00/56 ————— Mom is hospitalized for severe depression  
 08/12/57 ————— Joe moves to state institution, building #4,  
 shares bedroom with 16 other boys  
 10/29/65 ————— Joe is moved to building #7, shares bedroom  
 with 11 other boys  
 07/11/68 ————— Joe is moved to building #5, shares bedroom  
 with 11 other young men  
 11/22/71 ————— Joe is moved to the state institution for adults,  
 shares bedroom with 15 other men  
 12/30/74 ————— Joe's belongings are destroyed in a fire; he  
 is moved to another building  
 02/07/77 ————— Along with a group of 9 other men, Joe gets  
 a job at a local hotel  
 08/03/80 ————— Joe is moved to a cottage on the grounds of the  
 institution, which he shares with 11 other men  
 07/12/88 ————— Joe's dad dies  
 01/02/92 ————— Institution closes; Joe is moved to a 12-person  
 group home in another town  
 04/08/93 ————— Joe is moved to a 6-person group home

- 07/12/95 — Joe is moved to a supervised apartment shared with 3 other people
- 10/16/95 — Joe gets a part-time job at the library
- 08/16/96 — Joe meets Paula
- 07/17/97 — Joe is moved to an apartment shared with 2 other people

### RELATIONSHIP PROFILE



### PREFERENCES PROFILE

#### What Works

- Having a job
- Hiking (accessible trails)
- Visiting mom once a week\*
- Attending adult education classes
- Spending time with friends
- Spending time alone\*
- Going to the movies
- Having a dog\*
- Horseback riding
- Choose where I live\*
- Paying my own bills\*
- Private time with Paula\*
- Be an active church member\*

#### What Doesn't Work

- Lack of control
- Lack of spending money
- No privacy
- Sharing a bedroom
- Being too far from mom
- Lack of stability
- Being moved
- Living with strangers
- Changing churches
- Lack of control over where I live

(\* Things Joe would like to do)

## PLACES FREQUENTED PROFILE

### Work

Public Library, 10 a.m. to 2 p.m., Monday, Wednesday, and Friday  
Attends adult education classes Tuesday and Thursday evenings 7-9 p.m.

### Leisure

Horseback riding lessons Wednesday afternoons 3-5 p.m.  
Basketball practice and/or games 2-3 times per week during the season  
Walks in the park once or twice a month  
Would like to have a dog  
Movies once a month (would like to go weekly)

### Weekends and Holidays

Two- to three-hour hikes either Saturday or Sunday each week  
Spends Sundays with Paula  
Sees family on some holidays and once every month or two on weekends  
(Joe would like to see his mom once or twice a week)  
Basketball games on some Saturdays

### Worship

Attends Bethany Baptist Church once or twice a month on Sunday  
(Joe would like to be more involved in the church)

### Friends and Family

Visits with Suzanne, Peter, Barb, and Jon one or two times a month  
(Joe would like to increase the time he spends with friends)  
Sees Paula one to two evenings a week and on Sundays  
Visits mom once or twice a month  
Sees Joyce and her family on some holidays

## ASSISTANCE NEEDS AND ABILITIES PROFILE

### Talents, Gifts, and Abilities

Great with dogs  
Uses public transportation alone  
Excellent memory for phone numbers  
Kind and compassionate  
Cooks several meals without assistance  
Loves sports  
Movie buff  
Conscientious and reliable employee

### Need Assistance With

Reading  
Budgeting  
Taking medication  
Healthy eating  
Food shopping  
Getting in and out of bed and tub  
Legal documents

From Joe's profiles, we can learn a great deal about who Joe is and what he might want and need as a homeowner. In summarizing his profiles, there are a number of important pieces of information which will help as the planning process continues. Joe:

- has always lived with other people**
- has lived with strangers since age 7**
- has never had a choice about where or with whom he lives**
- has moved 10 times in his life**
- has maintained a relationship with family, but wants a richer and closer connection, especially with mom**
- wants a dog**
- wants to be actively involved in a church**
- needs an accessible home and neighborhood**
- needs assistance with getting in and out of bed and bath, and with some household tasks**
- wants control and decision-making power**
- wants to spend more time alone**

After Joe and his planning group finished Joe's profiles, they were able to begin to develop a true picture of where Joe might live. Joe had never had a choice about where and with whom he lived, when he moved, or what type of physical space he occupied. He wanted and needed to have the power to decide these things for himself.

A vision of an ideal neighborhood began to emerge. It seemed clear that Joe wanted a quiet, diverse neighborhood where he could get to know his neighbors and settle in for a long time. Having always lived with many other people, Joe decided that he really wanted to live on his own. The team needed to figure out how to help Joe get the assistance he needed while ensuring his safety.

As we make our way through the planning process, we will look more at Joe's situation.



## STAGE 2: MEETING PEOPLE WHO PROVIDE ASSISTANCE

### THE INITIAL GATHERING

Now you are ready to bring together all of the people who have agreed to assist you with your home purchase. For your first gathering, you might choose to come together at your home, the home of a friend or family member, or even the community room at a church, library, or recreation center. An informal, relaxed atmosphere is best. You may also want to include food at your get-together. The purpose of inviting people to come together is for you to share your dream of owning a home, and to ask people for assistance. If it is hard for you to communicate, ask your facilitator to help. Share your personal profiles with the group by giving them copies that they can keep and/or on large sheets of paper hung on the wall. You and your planning group may want to begin the process right away by determining your wants and needs, as described in Stage 3.



### SUBSEQUENT MEETINGS

Because it is so complex, the home-buying process may take anywhere from a few months to a year to complete. Your planning group must be prepared to work with you over an extended period of time, whether it requires five or fifty meetings. It is important to maintain a relaxed and welcoming atmosphere throughout all meetings, and to let members of the group know that their assistance is valued and appreciated. Meetings that follow the initial gathering will adhere to a format that involves checking on progress and revising the plan, as described later in this chapter.

## STAGE 3: DETERMINING YOUR WANTS AND NEEDS

### CREATING A WISH LIST

Becoming a homeowner means knowing that you will live in the same place for many years. Before you decide on a house, it is important to be sure that it meets the needs of your lifestyle. You and your planning group will probably want to begin by making a “wish list.” The list should be divided into three sections: your ideal home, neighborhood, and assistance. This is the place to write down, in as much detail as possible, exactly what you are hoping to gain by becoming a homeowner.

## THE IDEAL NEIGHBORHOOD

What type of neighborhood do you want to live in? This may be the first time you have had a choice about where you live. Take advantage of your planning group to help you decide how your ideal neighborhood will look. Remember to refer to the profiles you created earlier. The following considerations may be helpful:

- Would you like to find a house in the area in which you currently live?**
- Are there family or friends you would like to live closer to?**
- Are there better opportunities for finding a job or volunteer activity in some neighborhoods than in others?**
- Do you rely on public transportation? If so, is it available and convenient for you to use?**
- Are you interested in having a pet? A garden? A swimming pool? A nearby park? A video store or grocery store within walking distance?**
- Do you enjoy the hustle and bustle of a busy neighborhood with lots of children, or do you prefer a quiet, older community?**
- If you will need assistance to live in your new home, does the location affect the availability of such assistance?**
- How does the property tax rate compare with other areas? (A real estate sales professional can help answer this question).**
- How safe is the neighborhood compared to other areas?**
- Do you wish to join recreational activities, attend a place of worship, or be involved in local politics?**

On a sheet of paper, list all of the features that you will look for in an ideal neighborhood. Once you have a specific notion of the type of neighborhood that is ideal, you need to determine where to find it. A good first step might be to look at maps of the area where you want to live. You can usually find a detailed map in the local phone book. Which neighborhoods offer the most features on your list? Studying the maps will give you a good idea of where to start house shopping. The members of your group may be familiar with various neighborhoods and might be able to make suggestions about where to begin.

The easiest way to become familiar with various neighborhoods is to explore them first-hand. You, and the people who are assisting you, should take plenty of time to wander around in different locations until you find a neighborhood that seems right for you. Chat with people and ask a lot of questions to find out what activities and community services are available in the area. Explore the local supermarket, bank, video store, places of worship, and recreation center. Check to see what types of medical services are available. Is the public transportation system adequate to meet your needs? Narrow your list down to a few of the most desirable neighborhoods.



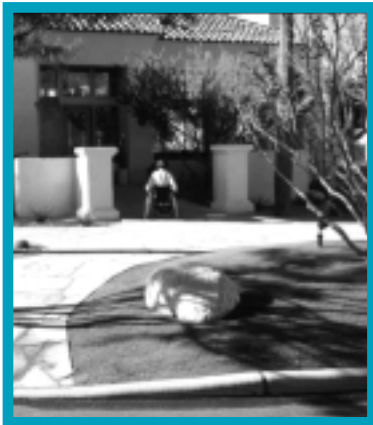
## THE IDEAL HOUSE

What kind of house do you want? Whether or not you have a vision of your “dream house,” you probably have some idea of the type and size of house that suits you. Make a list of the features that are most important to you. You may want to organize the list in order of priority. Some of the items on your list may be absolutely necessary, while there are probably a few that you could live without.

Your decision about the type of neighborhood you want to live in will have considerable bearing on the style of house that may be available. It might be a single-family house that stands on its own, a townhouse, or a unit in a condominium or cooperative project. Some of the housing choices you will encounter are described briefly below.

**SINGLE-FAMILY HOME.** A single-family home is a house that usually stands on its own, unattached to another home. In some urban areas single-family homes share a common wall. Generally, the land and the house are owned by the same person. It is self-contained and designed to be occupied by one person or family (this could include housemates or other non-related people).

**CONDOMINIUM.** Condominiums are the “starter home” of choice for many home buyers today because they are generally smaller and less expensive than standard single-family houses. The term “condominium” does not describe a particular type of building, but rather a type of joint ownership. Each residential unit is individually owned, while the facilities and common areas (the surrounding land, the hallways and elevators, and any recreational facilities) are owned collectively by the owners of each unit. In addition to their monthly mortgage payment, condominium owners pay a “condo fee” that pays for management of the complex, upkeep of the common property areas, and sometimes the cost of utilities.



Condominiums combine some of the advantages (and disadvantages) of apartment living with those of homeownership. Condominium owners reap the same financial benefits (tax breaks, for example) as other homeowners without many of the traditional chores of homeownership (such as shoveling the walk or hiring a contractor to fix the leaky roof). Sometimes condos offer such amenities as landscaping, meeting rooms, and recreation rooms. Many are in planned communities that offer wooded areas and plenty of play space for children.

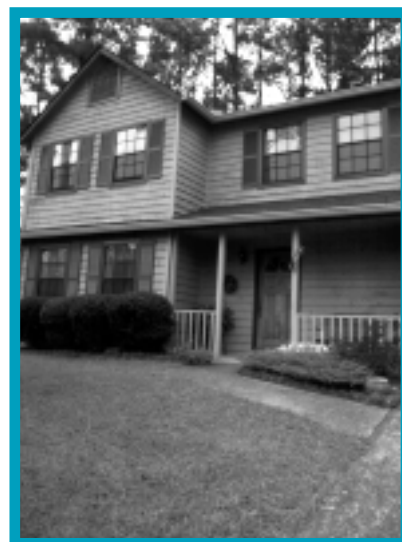
Selecting a condominium is a bit more complicated than buying a single-family home. You must investigate not only the specific unit in which you are interested, but also the entire project, from both a physical and a financial standpoint, to understand what your condo fees cover. There may be special assessments, which are additional costs paid by everyone in the complex, to cover unusual or unexpected expenses. These expenses include repairs or upkeep affecting everyone, such as street and driveway repaving, exterior painting, or roofing.

**TOWNHOUSE.** A townhouse is simply another style of condominium. These units also share common walls, and may have two or more stories. Each unit has its own ground space, but as with other condos, the common spaces and facilities are collectively owned by all of the unit owners. Even though you have little or no input about the outside of a condo or townhouse, the inside is yours to decorate, furnish, and enjoy however you see fit.

**COOPERATIVE.** Cooperatives, or co-ops, are similar to condominiums in that they involve a form of collective ownership. However, legally they are quite different. Co-op owners own shares in a corporation that owns the property, rather than owning the individual units where they live. Cooperatives are well established in New York City and in some other parts of the country. In some of these co-ops, an individual is hired by the cooperative to be available for minor maintenance and repairs.

**QUESTIONS TO ASK.** Now that you have some information about various types of houses, you may find the following questions helpful in deciding just what sort of house is ideal for you:

- Are you interested in an older home or a brand-new one? Would you prefer to design and build your home?**
- Does the idea of a condominium appeal to you? A townhouse? A single-family house?**
- If you prefer an older home, do you have the resources to complete repairs and renovations that may be required?**
- What size house do you require? Be sure to consider your future needs; for example, do you plan to have children or have a housemate or live-in assistance person?**
- How much land would you like to have? Think about whether you would like a garden, a play area, room for a pet, a clothesline, or a swimming pool.**
- If you choose a home with a large yard, how will you maintain it?**
- Is off-street parking important?**
- Do you need space for a washer and dryer? A second bathroom? A porch or deck?**
- Is a garage or workshop a necessity?**
- Would you like a fireplace? Lots of windows? A hot tub? Air conditioning?**
- Do you need a house that is accessible?**
- Exactly what is needed for you to move about freely?**



You may not find a house in your price range that offers everything you want, but it helps to be able to tell a real estate sales professional and others who are helping you what features are most important to you. Worksheet 1 on page 151 from the appendix may help you develop an idea of the type of house you are interested in.

Once you have determined what features are most important in a house, look at the neighborhoods you have identified as desirable. Look to see which neighborhoods have the kind of houses you want. You are now ready to begin your search.

## THE IDEAL ASSISTANCE

In order for you to be a successful homeowner, you and the people who provide you with assistance must carefully consider how much and what type of assistance you will need in your new home. You may not need to change your current arrangement, except the location. However, for some people, drastic changes may be necessary once you move in. Make a list of the kind of assistance you need, or refer to your “Assistance Needs and Abilities” profile.

You may never have lived alone before, and others, such as your parents or housemate may have provided you with assistance. You may discover that you must now arrange for someone else to provide that assistance. If you have lived in a group situation and needed assistance, you probably shared services with many people. These services were not likely to have been designed with only you in mind. Now that you will be living alone, you will be able to have personal assistance services tailored to suit your needs. Here are some things to consider as you make your list of ideal assistance:



**Will some of the assistance you need be temporary? Once you have settled in, gotten familiar with your neighborhood, become adept at using the available public transportation, and established yourself in your new home, will you need less assistance?**

**If you have limited mobility, sight, hearing, or have trouble communicating, who will assist you with these activities?**

**What types of assistive technology will you use?**

**How will you remain safe if there is an emergency?**

**Could a neighbor provide backup assistance?**

**Is there technology that would allow you to contact someone in case of emergency or to sound an alarm?**

**For some tasks, would a dog who has been trained to provide assistance be a good alternative to a person?**

**How much time do you want or need an assistance person in your home: (a) during the day, (b) in the evening, and (c) overnight? Do you want or need a live-in assistance person?**

**Do you need help in locating, hiring, and supervising paid assistance people?**

**Do you have funding or resources to pay for the assistance you need?**

Once you have determined your ideal assistance, list ways you can obtain it.

Creating the ideal system of assistance can be challenging. Again, use your planning group. Group members may be aware of resources. Check with local human service agencies, employment security offices, the local homemakers organization, and colleges and universities in the area. Often, businesses offer assistance in using their services. The local supermarket may offer help with shopping; the bank may help with balancing a checkbook; and the local pharmacy may offer home delivery.

## EXAMPLES OF JOE'S WISH LIST

Let's look at Joe's wish list to see how one person's ideal neighborhood, house, and assistance might look.

### IDEAL NEIGHBORHOOD

- Close to mom (within twenty minutes by bus)**
- Within twenty minutes of Joe's church**
- Mix of all ages**
- Close to an accessible park or hiking area**
- Within walking distance of a convenience store**
- Dog-friendly neighborhood**
- On a bus line**
- Sidewalks with curb cuts for wheelchair**
- Close to movie theater**
- Quiet at night**
- Low crime**

After looking at Joe's list of an ideal neighborhood and some city maps, the group determined that there were four suitable neighborhoods (A, B, C, and D) in Joe's town. These neighborhoods were all within a short bus ride of Joe's mom and were within walking distance of a downtown area. Neighborhoods A and B were close to accessible parks. Neighborhoods C and D were not, but these had other features that Joe was interested in, such as a community swimming pool and an animal shelter where he could volunteer to work with the dogs.

### IDEAL HOUSE

- Single-family house**
- Adequate yard for a dog**
- Lots of windows**
- Large kitchen**
- Spare bedroom**
- Screened-in porch or deck**
- Wheelchair accessible**
- Space for basketball practice**

As the team looked more closely at the four identified neighborhoods, they realized that all of the homes in neighborhood A were condominiums. Since Joe was clear that he wanted to live in a single-family home, the team eliminated neighborhood A from the list of possibilities. This left three neighborhoods in which to find houses which had the features Joe had listed under his ideal house. Neighborhood B had many newer, one-story homes that would probably be more easily made accessible than the majority of houses in neighborhoods C and D. Joe would still look in the other two neighborhoods, but neighborhood B became his first choice.

## IDEAL ASSISTANCE

- Someone to call during the night in case of emergency**
- Personal assistance getting in and out of bed and shower/tub**
- Help taking medication twice a day**
- Assistance with food shopping and menu planning once a week**
- Help with budgeting and bill-paying twice a month**
- Assistance reading and answering mail**
- Drop-in assistance at work, once or twice a month**
- Help in planning for holidays**
- Assistance with making medical appointments**
- Assistance with getting to know the neighborhood**
- Help with obtaining a dog**

After reviewing the above list, Joe and his team came up with a clearer picture of his assistance needs for the first month in his new home. At the end of that time, they would see how things were going and whether he needed more, less, or different types of assistance.

Once Joe moved in, he would need to have assistants come in twice daily to help him take his medication and get in and out of the tub/shower and bed. Suzanne agreed to investigate purchasing a roll-in shower so that Joe would not need help bathing.

Three times a week, Joe would also need someone to assist him to learn his way around the neighborhood and locate activities he was interested in. On a weekly basis, Joe would need assistance with meal planning and food shopping. Joe would also need assistance making and preparing for medical appointments. Ruby agreed to talk with someone at Joe's bank to see if they could assist him with his budgeting and bill paying. Peter agreed to help Joe obtain a dog and locate an obedience class.

Joe would need assistance for approximately 15-20 hours per week. Joe preferred to look for assistants who were around his own age and who were familiar with the neighborhood. Ruby would be responsible for placing a want ad in the local paper and putting notices on local bulletin boards.



## STAGE 4: TURNING THOUGHTS TO ACTIONS

### OPPORTUNITIES AND OBSTACLES

Now that you have determined what your ideal neighborhood, house, and assistance look like, it is time to take an inventory of what opportunities are at your disposal and what obstacles must be overcome in order for you to buy a home.

Your list of opportunities will be unique to you. Some examples of things that might be included are:

**having a friend who is willing to complete any necessary renovations for the cost of materials only;**  
**receiving a gift of money from a family member;**  
**having a wide circle of friends to call on; or**  
**having your own transportation.**

The following are some examples of obstacles to be overcome:

**having inadequate financial resources;**  
**high cost of housing;**  
**having a poor credit history;**  
**having difficulty in finding people who can provide you with assistance;**  
**having a guardian who is less than supportive of you becoming a homeowner; or**  
**being locked into a lease.**

### EXAMPLES OF JOE'S OPPORTUNITIES AND OBSTACLES

#### OPPORTUNITIES

Lots of people in his circle  
 Has saved \$500 from wages  
 Proficient at using public transportation  
 Learning to read  
 Vocational school will donate labor for accessibility renovations  
 Mom has offered to help with down payment

#### OBSTACLES

No credit history  
 8 months left on lease  
 Need money for long-term maintenance  
 No experience paying bills  
 Probate laws regarding guardianship

## ACTION PLANNING

Once you have completed a list of opportunities and obstacles, it is time to develop an action plan. Using an action plan will help you and the group break down the complex tasks involved in buying a house into manageable pieces. The plan identifies the exact tasks to be completed and assigns responsibility for completing each task to a specific person. Action plans include everything from completing a loan application, talking to a judge to obtain answers regarding guardianship issues, designing a floor plan for a house, to finding a used lawn mower.

Development of an action plan begins with a discussion of the list of obstacles and the strategies to overcome them. Specific tactics to accomplish tasks that will bring you closer to homeownership are written in a list. Next to each task is written the name of the person responsible for its completion and a deadline for doing so. Before the group members leave, a date is set for the next gathering. Everyone is asked whether there are others who should be invited to the next meeting, or who could be involved in some meaningful way. Achieving the goal of homeownership can be a long process. Some individuals have found it necessary to have between five and fifty meetings before reaching their goals.

### EXAMPLES OF JOE'S ACTION PLANNING

At Joe's first meeting, he and his planning group developed the following action plan:

TASK	WHO IS RESPONSIBLE?
Contact probate court to determine how to proceed re: guardianship	Mom
Ask agency that assists Joe for commitment of \$100 per month for long-term maintenance	Ruby
Find someone to move into Joe's apartment	Joe and Joyce
Open a checking account at local bank	Joe with Tom's help
Begin to work on documenting a nontraditional credit history	Joe and Pastor Jones
Develop a budget	Joe and Mary
Choose a real estate sales professional	Joe and Suzanne
Complete a pre-qualification application	Joe and Barb
Arrange for utility bills to be put in Joe's name	Joe and Ruby

## MONITORING AND REVISING THE ACTION PLAN

At the next gathering, the action plan and the list of opportunities and obstacles are reviewed. One person should be designated to write down all of the activities and progress on the action plan. Next, a new action plan is developed. This process continues until your goal of homeownership is achieved.

## QUESTIONS FOR EACH REVISED PLAN

- Have your financial or assistance circumstances changed since you decided to buy a home?**
- Have you experienced unanticipated life changes that could affect your decision to purchase a home?**
- Do you have a solid plan for obtaining the assistance you require?**
- Has your guardian been kept informed?**
- Have all legal questions been answered?**

Joe and his planning group met five times before Joe purchased his home. At each subsequent meeting, they reviewed the action plan from the previous meeting. Each member reported on his or her progress. The “opportunities and obstacles” list was also reviewed and revised as needed. The group then developed a new list of tasks to be completed and assigned a specific team member to each task. The following is a list of some of the assignments that group members had:

- petition probate court for permission for Joe to purchase a house**
- secure funds for down payment and closing costs**
- choose two or three suitable neighborhoods**
- search for a house**
- negotiate and sign a purchase and sales agreement**
- arrange for home inspection**
- obtain estimates for repairs and rehabilitation**
- secure funds for rehabilitation and repairs**
- establish a final purchase agreement**
- submit a mortgage application**
- develop a plan and secure funds for long-term maintenance**
- develop a plan for short and long-term assistance**
- complete a final walk-through with the seller**
- arrange for help moving**
- obtain used washer, dryer, and sofa**
- hire and train personal assistants**
- secure funds for accessibility modifications**
- arrange for modifications to be completed**



Each meeting ended with a date being set for the next meeting and with the question, “Is there anyone else we should invite to be part of the group?”

After looking at fourteen houses, Joe found one that met most of his needs. It was located in neighborhood B, which was his first choice. The house was a three-bedroom ranch that needed some accessibility modifications, but had a large fenced-in yard that was suitable for a dog. The house was only one block from the city bus

line, and Joe could roll to a nearby convenience/video store. The city park was just six blocks away. Joe's mom was a short bus ride away, so they could visit one another frequently. The church that Joe attended was a little further away than he would have liked, but a fellow church member lived in an adjoining neighborhood and offered to give Joe a ride to church each week.

### CHECKLIST

- Choose a facilitator.
- Decide whom to invite to be part of your planning group.
- Complete all profiles.
- Organize initial gathering.
- Determine how your ideal house, neighborhood, and assistance will look.
- Make a list of opportunities and obstacles.
- Develop an action plan.
- Monitor and revise the plan.
- Read Chapter Three.

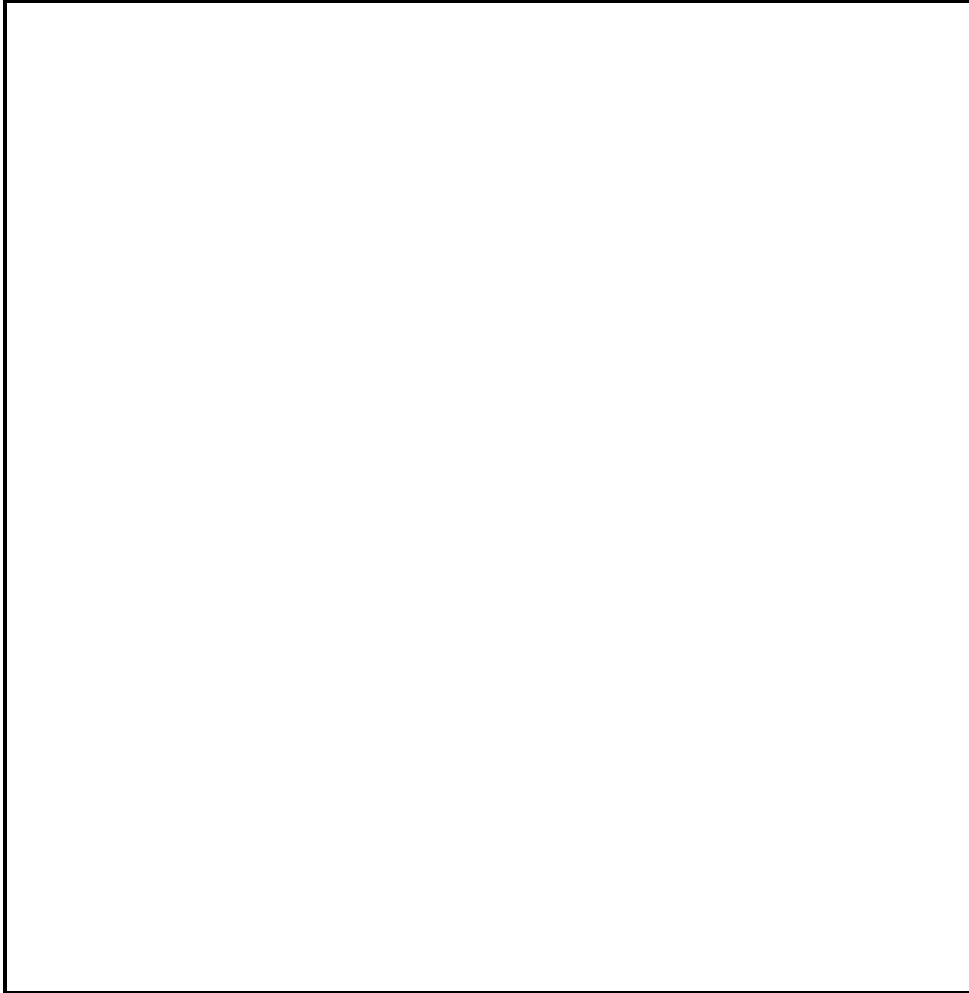
### SUMMARY

In Chapter Two, we have described a very detailed planning process and have offered examples from the experience of others who have purchased homes. In Chapter Three, "Hitting the Streets," you will learn how to shop for a home and how to complete the purchase once you find the house you want. You will learn about the professionals who can help and their roles in the home buying process. Chapter Three contains useful information and details concerning such topics as negotiating price, dealing with contracts, home inspection, and financing.

C H A P T E R

3

HITTING THE STREETS



## HITTING THE STREETS

## OVERVIEW

Chapter Three contains helpful, detailed information that can be valuable as you shop for your ideal home. The information may get overwhelming, though, so make sure that you have adequate assistance as you read. This might include having a member of your planning group read it with you, or having someone you trust read it for you and then explain it to you. Don't be afraid to ask your real estate agent questions if there are things that you don't understand. You might want to read the entire chapter from beginning to end at first, then use it as a resource as questions arise.

CONTINUING ON THE JOURNEY  
TOWARD HOMEOWNERSHIP

By this time, you have spent a great deal of time planning and thinking about your ideal home. Now you are ready to enter into the final stage of selecting a house. Chapter Three will guide you through this critical part of the process, which includes:

- how to utilize a real estate sales professional;**
- sorting out guardianship issues;**
- shopping for a home;**
- obtaining financing;**
- understanding the contract;**
- submitting an offer;**
- negotiating the purchase;**
- arranging a home inspection; and**
- meeting accessibility requirements**



In this chapter, we will look at the roles of two important professionals you will be using: the real estate sales professional and the home inspection expert.

In Chapter Two you developed a description of the house that comes closest to satisfying your criteria for the ideal home and neighborhood. Your next major task is to find it. The first step is to identify houses that are on the market. To find the house that is right for you, you will want to check on as many leads as possible. The following tips may be helpful to you as you begin your search.

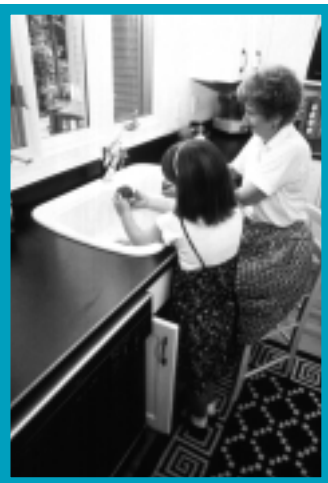
## FINDING A HOME

You, along with the people who are assisting you, should spread the word that you are in the market for a house. Ask your friends and acquaintances to be on the lookout for a suitable house. Give as detailed a description as possible of your ideal home and neighborhood.

Walking or driving around in neighborhoods that you and your team have identified can be worthwhile. You may spot a "For Sale" sign on the perfect house. This is a particularly good way to find houses being sold by the owners.

Check bulletin boards in local restaurants, health clubs, places of worship, food co-ops, supermarkets, laundromats, barbershops, or hairdressers, or other places that are frequented by large numbers of community members. The Internet also has a large selection of real estate listings.

Check the real estate classified ads in your local newspapers daily for new listings. Often there are special weekly "pull-out" home real estate sections featuring homes in your area. "Open houses" are also announced in the real estate section. You can do some initial shopping and price comparison by spending weekend afternoons looking at houses being displayed by real estate sales professionals. If you are already working with a real estate sales professional and you attend an open house, make the person in charge aware of this. Weekly or monthly "Shoppers' Guides" for people who are in the market for a house are usually free and can be found in supermarkets, laundromats, and on newsstands. Included in these "Shoppers' Guides" will be homes being sold by owners choosing not to use a real estate sales professional.



Some buyers take advantage of foreclosure sales. A foreclosure results when a homeowner is unable to pay the mortgage. The lender takes the house back and resells it in order to recover the money it loaned. Often these homes are sold for a price that is lower than the market price would be. Contact specific lenders in your area to obtain a list of properties that have been foreclosed upon. In addition to bank foreclosures, there are a number of different government agency foreclosures which may be available. These include foreclosures by organizations such as the Federal Deposit Insurance Corporation (FDIC), the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), Rural Housing Service (RHS), the United States Marshall's Office, and Fannie Mae. To obtain information about these foreclosures, contact the specific agency's office in your area.

If a homeowner dies and there is no spouse or other family member who wants to live in the house, then the person's estate may sell the house. Estate sales are typically advertised in the newspaper.

Local housing organizations may also be helpful as you search for a home. Contact the Housing Finance Agency and the Public Housing Authority in your area. They may have a lead on a particular house or they may have some helpful advice.

In many states, specific programs or groups have been established to help people with disabilities purchase their own homes. Many of these programs are affiliated

with the National Home of Your Own Alliance, a technical assistance center that offers advice and training to a number of organizations around the country. In addition to providing direct assistance to people who want to purchase homes, these organizations may be able to make referrals to real estate brokers and housing counselors who are experienced in assisting with the unique issues discussed in this guide.

To learn more about these programs, contact the independent living center in your area or the state developmental disabilities council, usually located in the state capital. Further information can be obtained by contacting Fannie Mae HomePath Services at 1-800-7FANNIE (or 1-800-732-6643).

### HOW A REAL ESTATE SALES PROFESSIONAL CAN HELP

Although the sources we mentioned above will get you started, perhaps the most effective way to shop for a house is to consult a real estate sales professional (referred to as an agent or broker). An agent can provide a vast array of services, including the following:

- help you determine how much you can afford to spend on a house;**
- use your list of features for an ideal home to generate a computer printout of houses that meet your specifications;**
- show you houses that meet your requirements;**
- provide you with information about a community, including the prices and features of houses in the area, the location of schools, property tax rates, unusual building code regulations, and availability of community services;**
- assist in locating foreclosures;**
- present your offer to the seller; and**
- advise you regarding mortgage lenders, real estate settlement agents, professional home inspectors, and title companies. (We will describe the roles of these people in greater detail later in this chapter.)**

How do you select such a person, and what services can you expect? If you know someone who has recently bought a house, ask that person for a referral. Try to find an experienced agent or broker who works primarily in the locale in which you are interested. Be sure the person has access to a computerized Multiple Listing Service (MLS). This is an electronic system that can generate a list of houses that match your requirements.

If specific accommodations, such as a portable ramp, are required in order for you to look at houses, be sure that the real estate agent knows exactly what you need before you begin to shop. If you and the agent are well prepared, it will save a lot of time and frustration for everyone.

The relationship between a home buyer and a real estate sales professional is unusual because you typically pay nothing for the agent's services. Instead, an agent

is paid by the seller and often represents the seller's interest in the transaction. The agent's fee, or commission, is usually a percentage of the selling price of the house.

In many areas of the country, it may be possible to find a real estate sales professional who will act as a buyer's agent. This means the real estate professional will represent your interests. However, you must determine how such an agent will be paid. In some cases, the buyer is charged a commission by this agent. In another scenario, the buyer's and the seller's agents will split the commission paid by the seller when the house is sold.

Listed below are some tips for working successfully with a real estate sales professional:

**When serious about buying a house, it is definitely to your advantage to look at as many houses as possible. Be as specific as possible about what you're looking for. By completing Worksheet 1 on page 151 of the appendix, developing your list of qualities for an ideal house, and using the other suggestions in this chapter, you will make the best use of your time, your planning team, and the agent's time.**

**If you feel you are being "steered" by your agent to (or away from) particular neighborhoods, you should report the problem to the Department of Housing and Urban Development (HUD), the agency in charge of enforcing the Fair Housing Act. The Fair Housing Act prohibits discrimination on the basis of race, religion, age, national origin, receipt of public assistance funds, sex, marital status, or disability. You may also want to file a complaint concerning the agent responsible with your local Board of Realtors as well as your local HUD field office.**

Above all, you should feel comfortable with your real estate agent. If you do not feel that your needs are being met, you have the option of selecting another agent.

## COMPARISON SHOPPING

A recent survey showed that on average, home buyers look at 15 houses before choosing one. It is critical to have someone you trust accompany you when looking at houses. Most homeowners say that having another person with them was extremely helpful to sort out which home was best for them. A second person will look at each house based on their unique experiences. Because it will not be their home, they may be able to view houses more objectively.

Later on, as you begin to contrast houses that you have seen, it will be beneficial to have this person (or people) help you compare notes and remember details. Comparison shopping is a necessary part of the home-buying process; therefore, approach it objectively and consider these tips.

## KEEPING RECORDS

After you have looked at a number of houses, they may begin to blend together and become a blur in your mind. This is why it's helpful to keep a record of each house



you see. You want to be able to compare features and prices of all houses you have seen. Using a preprinted form such as Worksheet 2 on page 152, "Housing evaluation checklist," can help you stay organized and remind you of details you will want to remember about each house.

Note your observations about the interior and exterior of each house, including your first impressions. Make sure that you are judging the house itself and not the seller's taste in decorating or housekeeping habits. Taking pictures, especially if you have a camera which gives you instant photographs, may also be helpful for at-home comparisons.



### WHAT TO LOOK FOR

Learn to look critically at every house. Rate houses based on your own needs. Ask yourself the following questions: Is this house located in your ideal neighborhood? Does it have most of the features of your ideal home? How close will you come to having your ideal assistance in this house? Don't be afraid to ask questions of the agent and the owners. You should expect satisfactory, straightforward answers.

### PHYSICAL DETAILS

Start with what you can see from the outside: the size and age of the house, its general condition and outside upkeep, the lot size, and landscaping. Inside, you may want to make a drawing of the floor plan. How many rooms and baths are on each floor? Is there enough storage space? Is the basement finished? Are there built-in appliances? Is the kitchen designed to be a functional work space? Could it easily be made accessible? Is there central or room air conditioning? Does the basement flood or the roof leak? Are there obvious water stains on the ceilings or walls? Is the paint and/or wallpaper in good repair? Does the flooring appear to be in good shape? Flush the toilets and turn on the shower to see that they are in working order. Are the faucets dripping? Note whether there is evidence of pests, such as ant or mouse traps, or other poisons to kill insects.

### CONSTRUCTION DETAILS

Whether the house is new or old, both the quality of the building materials and the craftsmanship, as well as the condition, are important considerations. Is the house well insulated? Are the windows energy efficient? Is the house heated with electricity, oil, gas, or a heat pump? Electric heat and heat pumps can be much more expensive than oil or gas. Is the roof in good condition? Does the house appear to have been well maintained? Most home buyers will not be able to answer these questions themselves. A qualified home inspector will examine the house and give you a detailed report on the condition of the house.

### MAJOR SYSTEMS

Are the plumbing, heating and cooling, and electrical systems all in good working order? Or does the house need to be rewired and re-plumbed and a new furnace

installed? What type of fuel is used for heating, and what is the approximate cost per month and year? How much do other monthly utilities cost?

## FINANCING

The Multiple Listing Service (MLS) printout provided by the real estate sales professional will include the asking price. The MLS sheet will also include the following information that can be helpful to you if you decide to make an offer on the house:

- the age of the house;**
- the number of rooms;**
- the size of each room in square feet;**
- the type of siding, windows, roof, foundation, wiring, plumbing, heating system;**
- how water is supplied and the type of septic system;**
- the amount of property tax;**
- whether appliances are included;**
- when the house will be available for occupancy;**
- the size of the lot; and,**
- what type of zoning governs the area.**

The MLS sheet also includes a section for additional remarks. This may include any information that the sellers want to impart. This could include comments about the neighborhood, special features of the house or lot, newly installed appliances, or recent renovations.

## NARROWING THE FIELD

After you've looked at a number of houses, you will begin to have an idea of homes available in various neighborhoods and which areas you prefer. The more houses you look at, the more knowledgeable you will become, and the better able you will be to tell whether the asking price is high or low.

When you find a house in your price range that you like, you will still want to proceed cautiously and calmly. No matter how perfect the house may seem, don't make a decision without going back at least once to take a closer, more critical look at the house. Keep in mind that a lower-priced house may need major repair work. Be sure to have an inspector look it over.

It is a good idea to have others whose opinions you trust look at the house. These may be people from your planning group, your facilitator, or perhaps someone you know who has purchased one or two homes. You should also invite someone who is knowledgeable about construction to take a look at the house. Ask the members of your planning group whether they can recommend such a person.

Visit the neighborhood at different times on different days. Are weekday evenings as quiet as Sunday afternoons? Talk with your prospective neighbors. Although it may be tempting, don't jump into an offer out of fear that another buyer will grab the house while you're investigating. Never sign papers or put a deposit down on a house without careful consideration and discussion with your planning group.



## NEGOTIATING THE PURCHASE

### DECIDING HOW MUCH TO OFFER

In deciding how much you should offer, there are several factors you need to consider. Your agent can also help guide you through the process of making an offer on a house.

#### WHAT YOU CAN AFFORD

Before making an offer on a house, you need to know what your monthly housing costs would be if you purchase the house for the price you plan to offer. This requires knowing the annual cost of utilities, local taxes, property insurance, condo fee (if applicable), and any special assessments, as well as the interest rate you will be paying. Another step is to review and re-check all of your benefit considerations. Be sure that you know exactly if, and how, your benefits will be affected if you purchase this particular house.

Make sure that the amount of your down payment is adequate and that you will have enough to cover closing costs as well. If renovations or repairs are needed, you must set aside enough funds to cover them. Don't be tempted to offer more for a house than you can afford.

#### VALUE OF THE HOUSE

Does the asking price compare to the market value of the house, based on recent sales of comparable homes in the area? This information can usually be obtained from the listing agent. You can also check the prices of similar homes that are for sale in the same neighborhood.

#### CONDITION OF THE HOUSE

Before making any offer, you should be fairly confident that you are aware of any major problem areas in the house. You should have inspected the house to the best of your ability and questioned the sales agent and the owner about the structural soundness and condition of all basic systems. (Both sellers and real estate sales professionals can be held liable if they fail to tell the buyer of any defects they know of in the house.) You should also have a clear idea of what it will cost to fix any major problems of which you are aware. Obtain written cost estimates from at least two contractors.

In fact, if you are buying an existing house rather than a new house, a home inspection by a professional should be one of the "contingencies" in your sales contract. We will talk more about contingencies later in this chapter.

## HOW CLOSE IS THIS HOUSE TO YOUR IDEAL NEIGHBORHOOD, HOME, AND ASSISTANCE?

As you think about whether to make an offer on a particular house, you may want to gather your planning team together to help you evaluate how close this house comes to the ideal standards that you have developed. While it is unrealistic to imagine that you will find everything on your wish list, you must decide on which items you are willing to compromise.

## ACCESSIBILITY AND RENOVATION NEEDS

Does the house require renovations in order for it to be accessible to you? If so, can the work be accomplished for a price you can afford? Must the work be done before you can move in? Will there be areas of the house that are impossible for you to access, such as the attic, second floor, or basement? If so, will that be acceptable to you? If you plan to obtain funds for renovations from various sources, how long will it take?

## CIRCUMSTANCES SURROUNDING THE SALE

In deciding how much to offer for the purchase of the house, try to determine how anxious the owners are to sell. For example, if the sellers already have a contract on another house, you may be in a good negotiating position. They may need to complete the sale and collect their profit to use as down payment on their new house. It will be to your advantage to know how long the house has been on the market and whether the asking price has already been reduced. If it has not, then there is a good chance the sellers are prepared to accept a lower price. In order to leave room for negotiation, it is customary for a seller to start out with a higher asking price than they intend to receive. Also, how much did the seller pay for the house, and when? How much does the seller stand to make on the property? If the seller bought the house many years ago, they may have paid considerably less than the house is worth now. Also, their mortgage may be completely paid. If they are not bound to pay off a mortgage, they may be more willing to accept a lower offer.

## WHAT COMES WITH THE HOME?

Sellers are often willing to leave certain household furnishings behind. Some items may not be needed in their new home, styles may be different, or it may be more convenient to replace particular items than to move them. Sellers may leave appliances such as a washer, dryer, dishwasher, or stove; window dressings like curtains, shades, or blinds; or outdoor fixtures such as fencing, a doghouse, lawnmower, or garden hose. On the other hand, sellers may take all of these items when they move. It is important to know how many of these expensive items will be left behind so you can determine which ones must be purchased right away. Your purchase agreement, which we will discuss later in this chapter, may include any items that you would like the seller to leave behind.



## FINANCING TERMS

There are two aspects to making an offer on a house. One is the price and the other is the financing terms. The terms may actually be more critical than the price. For example, if the seller is willing to offer attractive financing terms, including payment for title search, the home inspection, and other settlement costs, you may be more willing to accept the price.

This is a time when you should take advantage of the people who are providing you with assistance. Discuss all of your options and get advice from the planning group. The real estate agent may advise you as to how much you should offer, but remember, the agent typically works for the seller. Most buyers do not offer the full asking price, at least at first.

## SUBMITTING THE OFFER

The next step is to submit a “purchase and sale agreement” to the real estate sales professional. A purchase and sale agreement is a signed offer to purchase the house for a given price under specified terms. Be sure that the agent has explained the contract to you, and that you understand it, before you submit the offer. The agent is required by law to deliver your offer to the seller.

## EARNEST MONEY (DEPOSIT)

This is a “good faith” payment that you submit with the offer to show the seller that you are serious about buying the house. There is no set amount required, and what is customary differs by location. Check with other homeowners in your area to learn what they offered as a deposit. The check should not be made out to the seller directly. Rather, it may be made out to the brokerage firm of the real estate agent. The earnest money, or deposit, should be kept in a special account to be returned to you if the seller does not accept your offer within a specified number of days. If your offer is accepted by the seller, and you decide later not to purchase the house, then you may lose your deposit.

## WHAT THE OFFER INCLUDES

The offer to purchase a house should include at least the following:

- a complete legal description of the property;**
- the amount of the deposit accompanying the offer;**
- the price you are offering;**
- the size of your down payment and how the remainder of the purchase will be financed (including the maximum interest rate you are willing to pay);**
- any items of personal property that the owner has said will stay with the house or that you want to be included;**
- a proposed closing and occupancy date;**
- the length of time the offer is valid (three to five days); and**
- compliance with certain contingencies, which follow.**

## TERMS OF THE CONTRACT

In addition to the basic terms of the sale, certain “contingencies” may be included in the contract. These are conditions that must be met in order for the contract to take effect. Other provisions that may be included in your contract are described below.



### APPRAISAL CONTINGENCY

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

### GUARDIAN CONCURRENCE

If a guardian or conservator has been appointed for you, the process of purchasing a home will be slightly more complex. A guardian is a person or organization who has been named by a court to exercise some or all powers and rights over a person and/or estate of the individual. In some states, the term “conservator” is defined in the same way. In other states, a conservator may be described as having control over a person’s estate only, while a guardian has responsibility for the person. Different states have different laws which apply if you have a guardian and wish to purchase a home. You should check your state’s laws.

Your guardian, if you have one, will probably need to be in agreement with, and put his or her signature on, any legal contract or business transaction into which you enter. A probate court judge may need to be involved as well. You may need to specify in your contract that the sale will be contingent upon court approval.

### STATE CERTIFICATION CONTINGENCIES

If you receive financial or other assistance from an agency, there may be requirements regarding the type of house in which you live. In order to continue to receive funding, your home may need to pass an inspection to become certified, or approved. This may be an important item to include in the contract.

### FINANCING CONTINGENCY

The contract should state the purchase price, the amount of down payment, the total loan amount, and the exact financing terms you will accept, as well as how long you have to find the agreed-upon financing. It also will state the amount of deposit being held in escrow, and which closing costs are to be paid by the buyer and which are to be paid by the seller.

This contingency states that if you don't get the money you need at the terms you have specified, the contract is canceled and your deposit will be refunded. In turn, the seller may insist that a clause be included requiring you to make a "good-faith effort" to obtain the mortgage.

## INSPECTION CONTINGENCIES

As we mentioned earlier, unless you are buying a new home, it is highly recommended to have the house inspected by a professional. You may also want to specify that certain inspections are completed before the sales contract takes effect. The buyer almost always pays for the home inspection, but the fees for other inspections may be negotiated between you and the seller. There are numerous resources, described in Chapter One that may help with the cost of various inspections.

## THE HOME INSPECTION

One of the contingencies in your contract should be that you obtain a satisfactory home inspection report. You and at least one other person will have examined the house to the best of your ability before making an offer on it. But before you go through with the purchase, you will want an expert to take a critical look at the property. Although you must pay for this inspection, the peace of mind you will have is well worth the expense.

## FINDING A QUALIFIED INSPECTOR

Try to get a referral from a satisfied homeowner, such as someone from your planning team. Also, you may check the "Yellow Pages" under "Building Inspection Service." Ask for and check references from three recent customers. The American Society of Home Inspectors sets rigorous standards for its members. To obtain the names of local members of this organization, call 1-800-743-2744. It is a good idea to get quotes from two or three inspectors before you decide on one. You may expect to pay \$150 to \$350 for an inspection, including a written report (not just a checklist) within one or two days.

## WHAT THE INSPECTION INCLUDES

The home inspection is different than an appraisal. The inspection is meant to evaluate the structural and mechanical condition (not the market value) of the property. The inspector's report will be based on observable, unconcealed structural conditions. The inspector will not guarantee or warrant the condition of the home, or determine whether it is in compliance with local building codes.

We urge you to accompany the inspector on his or her rounds. You can expect the inspection to take about two hours. You will undoubtedly pick up valuable maintenance tips along the way, have a chance to ask questions, and learn more about the extent of possible problems. You will also be in a better position to understand the written report.

Every inspection should include an evaluation of at least the following:

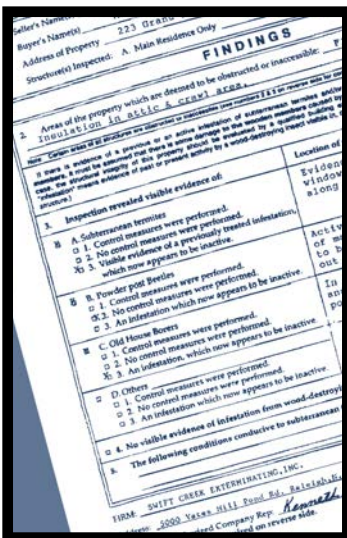
- Foundations**
- Doors and windows**
- Roof and siding**
- Plumbing and electrical systems**
- Heating and air conditioning systems**
- Ceilings, walls, and floors**
- Insulation**
- Ventilation**
- Septic tanks, wells, or sewer lines**
- Common areas (in the case of a condominium or cooperative)**

### USING THE INSPECTION REPORT

The inspector's report will not include a recommendation as to whether or not you should buy the house, nor will it evaluate the purchase price. Some lenders will take the inspection results into consideration. No lender wants to loan money for a house that is in bad repair. This may be especially true of affordable lending programs. If major flaws are uncovered, it should give you an idea of what it will cost to repair or replace the problem. A reputable home inspector will never offer to complete needed repairs and should not refer you to a contractor to perform such repairs.

An inspection report may serve the following purposes:

1. identify problems before you purchase a home and prevent unpleasant surprises later;
2. enable you to cancel a purchase agreement (and get your deposit refunded) if serious problems are identified;
3. help you negotiate an adjustment in the purchase price if you want to buy the house in spite of the problems;
4. influence the seller to agree to pay for needed repairs, either before the sale or after the sale using escrowed funds; and
5. make you feel confident about going ahead with the purchase.



Once you and the sellers have agreed on all the provisions of the contract, you are ready to shop for the loan needed for the home purchase. The lender will want to see a copy of the signed purchase and sales contract when you apply for the mortgage. Shopping for a mortgage is the subject of Chapter Four.

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

**Water inspection.** Another contingency should be that the water be tested and deemed suitable for drinking.

**Roof certification.** An inspection of the roof by a qualified contractor should be completed to insure that the roof is sound.

## ENVIRONMENTAL HAZARDS TO INVESTIGATE

Be sure that the professional who does the home inspection checks for the following hazards as he or she completes their observations and recommendations.

**Radon.** Many home buyers today insist that the house be tested for the presence of radon. Radon is a naturally occurring, odorless gas that can seep into houses and cause major health problems. For more information about radon in your area, you can call your state or county public health department.

**Lead-based paint.** If the house was built before 1950, you can be almost sure that lead-based paint was used. For houses built between 1950 and 1978, there is a good chance that lead-based paint is present. The presence of lead paint should be investigated because even low levels of lead exposure can have very serious health-related consequences, especially for infants, young children, and pregnant women. Children do not have to eat lead-based paint chips to be poisoned. Lead-contaminated dust from children's hands and toys can pass into their mouths.

Before a sales contract can be finalized on a home built before 1978, the seller (or his or her agent) must give you a pamphlet discussing lead hazards in the home and tell you about any lead-based paint or lead-based paint hazards of which they are aware. Sellers must also allow you 10 days during which time you can hire a trained professional to conduct an inspection or risk assessment of lead-based paint hazards. You can make the sales contract contingent on this lead hazard evaluation. You need to find an inspector or risk assessor who has taken a U.S. Environmental Protection Agency course or is certified in your state. A lead paint inspection will tell you what surfaces are coated with lead paint. A risk assessment will identify any lead hazards—such as peeling paint or contaminated dust—and what steps are needed to correct them.

Renovation projects on older homes can disturb lead-based paint and be particularly dangerous. Don't attempt lead-based paint removal projects yourself. For further information, available in both English and Spanish, contact the federal lead information hotline at 1-800-LEAD-FYI.

**Asbestos.** Asbestos is a material that was used as insulation in homes and businesses before it was found to cause health problems. According to the Environmental Protection Agency (EPA), many homes built during the past 20 years probably do not contain asbestos products. You may hire a qualified professional who is trained and experienced in working with asbestos to inspect the home. A professional knows where to look for asbestos, how to take samples properly, and what corrective actions will be most effective.

**Formaldehyde.** Formaldehyde is a colorless, gaseous chemical compound that is released by many construction materials. It was also an ingredient in the foam used for insulating houses until the early 1980s. It can cause irritation of the eyes, nose, and throat, and is suspected of causing cancer. In the case of a new home, check with the builder to see whether construction materials containing formaldehyde were used. A qualified building inspector can examine the home for formaldehyde-emitting materials. Home monitoring kits are also available.

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

## OTHER PROVISIONS

You also may want to include certain other provisions in the terms of the contract so that nothing is left to chance.

**Repair work.** You may want to stipulate that the sellers are responsible for ensuring that the plumbing, heating, mechanical, and electrical systems are in working order at closing. Without this clause, you agree to accept the house "as is." You also should stipulate that you will conduct a walk-through inspection of the house on the day of settlement or several days before to determine if all conditions in the contract have been satisfied.

**Personal property.** Don't rely on the seller's verbal agreement that specific fixtures, appliances, and personal property are included in the sale. To avoid any misunderstandings or surprises, list in the contract everything that the owner is supposed to leave behind.

**Closing and occupancy date.** You also may want to include a provision that the sellers must pay you rent on a daily basis in the event they haven't moved out by the agreed-upon date (usually the closing date).

**Clear title.** The contract should state that the purchase is subject to your receiving clear title to the property. Clear title means that there are no legal questions as to who owns the property. The title search and title insurance will be discussed in Chapter Four.



## NEGOTIATING THE FINAL PURCHASE PRICE

The seller may respond to the amount of money you are willing to pay for the house (your offer) in one of three ways: 1) by accepting it, 2) by rejecting it (in which case you must decide whether to make another offer), or 3) by making their own suggestion, known as a counteroffer. Always take your time in considering a counteroffer. In turn, you may respond to a counteroffer with yet another offer, for an amount somewhere between your original offer and the seller's counteroffer.

Usually the real estate sales professional will present your offer to the seller and will relay the seller's answer back to you. Negotiating the final purchase price is typically done in a similar fashion. You may be required to put a larger deposit down (again, to be set aside in escrow) once the seller has signed your offer to buy. However, at this point it is not necessary to use the entire amount of your intended down payment as a deposit. Before you put any money down, talk with your housing counselor or your planning team to determine the amount to put down as a deposit.

## ACCESSIBILITY ISSUES

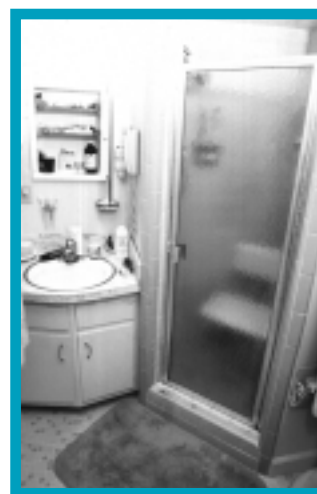
In addition to the home inspection, you may need to consider accessibility. If you will need to make modifications to the house so that it is accessible, you will want to determine what is required, how long it will take, and how much it will cost. As we discussed in Chapter One, further information and publications on accessibility and design issues are available from the Center for Universal Design at North Carolina State University at 1-800-647-6777.

## FINDING A QUALIFIED ARCHITECT OR CONTRACTOR

An architect or contractor who is otherwise qualified and comes highly recommended may have had little or no experience with accessibility design and renovation. It is helpful to locate a person who has expertise in this area, and who is willing to be flexible and creative when it comes to ensuring that your home is tailored to your specific needs. To find a qualified person, check with local human service agencies, independent living centers, and rehabilitation facilities to see if they have had a positive experience with someone in your area. Ask for recommendations from others who have made similar modifications to their homes.

## GETTING ESTIMATES

It is customary to obtain written estimates from at least three contractors who are qualified to complete the specific work that is needed. These contractors may or may not also be qualified to handle accessibility features. Compare all of the estimates and the details of how and when the work will be completed to determine which contractor is offering the best price. Be sure that the estimates specify the length of time the estimate will remain valid. You will want to consider the expense of completing any needed renovations as you decide on the amount you will offer for the house.



*before*



*after*

## REVIEWING THE ACTION PLAN

Now is a good time to review your action plan. You will probably need to make revisions or develop an entirely new plan before proceeding. Be sure your plan includes the specific tasks that need to be accomplished, as well as a list of who is responsible for completing each one.

Re-examine your list of opportunities and obstacles and make the necessary revisions. Describe the strategies you and your team will use to overcome the obstacles. At this time, you and the group should think about whether there are others who should be invited to join your planning group or be asked to help in some other way.

### CHECKLIST

- Become familiar with Chapter Three's recommendations on finding the ideal house.
- Choose a real estate sales professional.
- Review your ideal home, neighborhood, and assistance.
- Locate a suitable house.
- Submit an offer.
- Include specific contingencies in the contract.
- Obtain a home inspection.
- Obtain estimates for repairs and renovations.
- Revise list of opportunities and obstacles.
- Develop a new action plan.
- Read Chapter Four.

## SUMMARY

Shopping for a home takes time and hard work, but the effort is worth it if you find a home that's right for you. You are now in a good position to follow up on leads and to work with a real estate sales professional who can show you homes on the market, present your offer to the seller, and advise you regarding mortgage lenders, real estate settlement agents, title companies, and professional home inspectors. When you have located the house you want, it's time to negotiate the purchase price and sales contract with the seller, and to hire a professional home inspector. If you reach an agreement with the seller on the final purchase price and the terms of the contract (including any contingencies), the next step is to obtain financing, and that is the subject of the following chapter.



C H A P T E R

4

O B T A I N I N G A M O R T G A G E



## O B T A I N I N G A M O R T G A G E

## O V E R V I E W

Almost everyone who purchases a home must borrow money. Chapter Four will explain the steps for getting a loan to purchase your home. We will look at the various sources of mortgage loans and explain how to find a lender that offers the best terms. A checklist (Worksheet 3) has been provided on page 153 in the appendix to help you compare terms being offered by different lenders. Next, various loan terms and the types of loans that lenders may offer are defined. The process of applying for a loan will then be reviewed, including details of a typical loan interview and guidelines used by lenders in deciding whether to approve a loan. A description of steps you may take if your loan application is denied, is followed by information about special circumstances such as guardianships and probate court approval. Considerations for long range planning are discussed to ensure that your homeownership experience will be an enjoyable one rather than a strain on your finances. Finally, suggestions on updating your action plan and a checklist to review the steps for obtaining a mortgage appear at the end of this chapter to help you move forward with your homeownership dream.

## S H O P P I N G F O R A L O A N

The task of obtaining a loan may be complicated if you have a limited credit or employment history, or rely on public benefits as income. It is still possible for you to obtain the financing to buy a house. By now, you and your planning team have probably done some work in this area. If you requested a credit report or gathered documentation regarding your nontraditional credit history, you can be even more confident as you begin to shop for a mortgage.

You may have already been pre-qualified for a loan. If you haven't done this, now is the time to take care of this step in the process. As we discussed in Chapter One, pre-qualification involves sitting down with a lender and discussing how much you can afford to pay for a mortgage based on all of your income and expenses.

If you have not done so, now is the time to find out which lenders in your area are offering flexible mortgages. For assistance, contact Fannie Mae HomePath Services at 1-800-7FANNIE (or 1-800-732-6643).



There are various sources for obtaining mortgages:

**Savings and loan associations.** Financial institutions that invest mainly in mortgage loans.

**Commercial banks.** Private, profit-making businesses which loan money and carry out other financial transactions.

**Mortgage companies.** Private, profit-making businesses offering mortgage loans.

**Federal credit unions.** Membership organizations that make low-interest loans to its members.

**Housing finance agencies.** State-mandated agencies which finance housing for low- and moderate-income people.

**Owner financing.** In this situation, the seller acts as a lender. Your monthly mortgage payments are made directly to the seller.

**Rural housing services.** Organizations offering low interest rate homeownership loans with no down payments to very low and low- and moderate-income persons who live in rural areas. "Rural areas" include settled places having a small population.

As you begin to search for a mortgage, you may want to check with the bank where you have a checking or savings account. Ask if it offers home mortgages. If it does, would it be willing to consider a mortgage adapted to your needs, such as a twice-monthly payment schedule? If you are a member of a federal credit union, determine whether it offers home mortgages. As we discussed earlier, because you may not have a traditional credit, borrowing, or employment history, you may find that your options are limited to only one or two lenders.

Your real estate agent may be aware of the lenders in your area that offer the best terms. If friends, family members, or co-workers have recently purchased homes, ask them where they obtained their mortgages. Talk with the members of your planning team to see if anyone has a contact that may be helpful. Another option is to seek the services of a mortgage broker. The broker's job is to take your application and shop for the best loan terms available from various lenders around the country. Be aware, however, there will probably be a fee involved with this type of arrangement.

The real estate section in your local newspaper may list a weekly comparison of mortgage rates. In addition, there may be a mortgage rate hotline available in your area. Check the Yellow Pages under "Mortgages."

## UNDERSTANDING THE LANGUAGE

### TERMINOLOGY

Lenders and others in the industry use a variety of loan terms that may be unfamiliar to many people. The following brief review may be helpful to you and your planning group. A complete glossary of terms can be found as an appendix in the back of the book.

**Adjustable-Rate Mortgage (ARM).** A mortgage that permits the lender to adjust its interest rate periodically on the basis of changes in a specified index.

**Annual Percentage Rate (APR).** The total cost of a mortgage stated as a yearly rate; includes such items as the base interest rate, loan origination fee (points), commitment fees, prepaid interest, and other credit costs that may be paid by the borrower.

**Closing.** A meeting to finalize the sale of property by delivery of a deed from seller to buyer. The buyer signs the mortgage documents and pays the closing costs. This meeting is also called a "settlement."

**Convertible ARM.** An adjustable-rate mortgage that can be converted to a fixed-rate mortgage under specified conditions.

**Escrow.** The holding of documents and money by a neutral third party prior to closing; also an account held by the lender into which a homeowner deposits money for taxes and insurance.

**Fixed-rate mortgage (15, 20, 25, or 30 years).** The interest rate on the mortgage loan remains the same for the entire term of the mortgage—15, 20, 25, or 30 years. Your mortgage payment could increase or decrease, however, if your property taxes or insurance rates increase or decrease.

**Graduated payment mortgage.** A mortgage that starts with low monthly payments and increases at a predetermined rate for a specified time.

**Interest.** The fee charged for borrowing money. Interest rates can change from day to day and can vary between different lenders and different type of loans.

**Interest rate cap.** A provision of an ARM limiting how much interest rates may increase per adjustment period or over the life of a mortgage.

**Lease-Purchase Mortgage Loan.** A mortgage product that allows low- and moderate-income home buyers to lease a home from a non-profit organization, or private seller, with an option to buy. Each month's rent payment consists of an amount sufficient to cover the PITI payments on the first mortgage, plus an extra amount earmarked for deposit to a savings account where money for a down payment accumulates.

**Lifetime cap.** A provision of an ARM that limits how high the interest rate on the loan may be at any point over the life of the loan.

**Loan term.** The length of time you have to pay back the loan. Most mortgages are paid back over 15 to 30 years. First-time home buyers usually request the longest possible mortgage term in order to have the lowest monthly payment.

**Loan-to-value percentage (LTV).** The relationship between the unpaid principal balance of the mortgage and the appraised value (or sales price if it is lower) of the property. Typically, the difference is expressed as a percentage of the amount the lender is willing to lend. For example, a 95 percent loan-to-value ratio means that the lender will not lend more than 95 percent of an appraiser's estimate of the value of the house, or the sale price, whichever is lower.

**Mortgage.** A legal document that pledges a property to the lender as security for repayment of a loan.

**Mortgage broker.** An individual or company that, for a fee, acts as intermediary between borrowers and lenders.

**Owner financing.** A property purchase transaction in which the property seller provides all or part of the financing.

**PITI.** Stands for principal, interest, taxes, and insurance—the components of a monthly mortgage payment.

**PMI (Private mortgage insurance).** Insurance paid for by borrowers that protects the lender against loss if a borrower fails to repay the loan.

**Points.** A one-time fee charged by the lender to increase the amount of yield for the lender on the loan; a point is 1 percent of the amount of the mortgage. Some lenders will charge one point to originate or start your loan. Paying extra points at closing can reduce your interest rate for the life of your loan. Points are also tax-deductible.

**Prepayment penalty.** A fee that may be charged to a borrower who pays off a loan before it is due to be paid off.

**Rate lock-in.** A written agreement guaranteeing the home buyer a specified interest rate provided the loan is closed within a set period of time. The lock-in also usually specifies the number of points to be paid at closing.

## LOAN TYPES

In addition to the loan terms discussed, lenders may also refer to different loan types that may be helpful to review:

**Housing Finance Agency loan programs.** In addition to mortgage programs that have been designed specifically for people with disabilities, there are mortgages that are geared toward first-time home buyers that could offer you the terms you need.

**Fannie 97<sup>®</sup>.** A Fannie Mae mortgage product that requires only a 3 percent down payment from the borrower. Family members, non-profit groups, or government agencies are eligible to pay the closing costs. Two options are available—a 30-year, fixed-rate mortgage with debt-to-income ratios of 28/36, and a 25-year, fixed-rate mortgage with ratios of 33/36.

**State and local loan programs.** Many states and communities sponsor programs to help first-time home buyers qualify for mortgages. In addition, there are programs designed to help buyers who purchase homes in “targeted areas.” These areas include neighborhoods designated for improvement or revitalization. Along with local housing agencies, states offer loans that include low down payments or low interest rates to buyers who meet certain guidelines.

**Rural Housing Service (RHS) loans.** The Rural Housing Service offers low interest rate mortgage loans to very low- and low-income families, and market interest rate loans to moderate-income families, without requiring a down payment, in rural areas. “Rural areas” can include small towns. Check with your local USDA Rural Development office (previously known as Farmers Home Administration) or a local lender for eligibility requirements.

**HUD’s Federal Housing Administration loans (FHA).** With FHA insurance, you can purchase a home with a very low down payment (from 3 to 5 percent of the FHA appraisal value or of the purchase price, whichever is lower). FHA mortgages have a maximum loan limit that varies depending on the average cost of housing in a given area.

**Department of Veterans Affairs loans (VA).** The VA guarantee allows qualified veterans to buy a house costing up to \$203,000 with no down payment. The qualification guidelines for VA loans are more relaxed than for some other types of loans. If you are a qualified veteran, this can be an attractive mortgage program. To determine whether you are eligible, check with your nearest VA regional office.

## APPLYING FOR A LOAN

In the past, most people with disabilities may not have been considered potential homeowners because they may not have fit the standard underwriting guidelines that lenders use to determine whether a buyer receives a loan. These guidelines are called underwriting criteria. Over the past few years, lenders nationwide have begun to establish new underwriting criteria that make it possible for people with disabilities to purchase homes. We have learned that through creativity and planning, people with disabilities can become successful homeowners. Cooperation among individuals, service agencies, and financial institutions has resulted in new ways of using benefits as income. Lenders are beginning to accept public benefits as viable sources of income for borrowers. They recognize that a few changes in lending guidelines can create a win-win situation. Individuals obtain mortgages they can afford, while the lenders close more mortgage loans.

Once you and your planning team have determined the lender that is best for your situation, you are ready to make an appointment for a loan interview. Ask for the loan application to be mailed or faxed to you, and request a list of required documents that you must bring to the interview.

## THE LOAN APPLICATION

If you need assistance in completing the loan application, the lender can help you fill it out. This form will help the lender evaluate the risk (how likely you are to repay the loan) involved in lending you money. In assessing your application, the lender will look at the “Four C’s” of lending: capacity, credit history, capital, and collateral.

### CAPACITY

Can you pay back the loan? The lender will want to know how much money you earn. This income may come from employment or another stable source of income such as public benefits, or a combination of both.

### CREDIT HISTORY

Will you pay back the debt? The lender will look at how much and how often you borrow money, and if you pay your bills on time, as well as whether you live within your budget. If you have nontraditional credit information, the lender will want to review it. In addition, the lender will want to look at how you have paid your bills in the past. The lender will review your expenses, such as rent, utilities, a car payment, credit card debt, installment loans, child support payments, and any other expenses you incur.

### CAPITAL

Do you have enough cash for the down payment and closing costs? Some of these funds may come in the form of gifts, grants, or loans from various sources. The lender will also want to know whether you will have money left over after the purchase (referred to as “reserves”) for unexpected emergencies.

### COLLATERAL

Will the lender be completely protected if you do not pay back the loan? In the event that you are unable to fulfill your obligation, the lender must be sure that the property is worth enough money to cover your unpaid mortgage. Therefore, you will be required to have the property “appraised” or the value confirmed by a professional. In addition, documenting any renovations, repairs, or rehabilitation you plan to do on the property will be important.

## THE INTERVIEW

A loan interview is a meeting between the person applying for a mortgage and an agent from the lending institution (the loan officer or originator). Being properly prepared for the interview is very important. You should come to the interview meeting with all of the required information (names, addresses with zip codes, phone numbers, dates of employment, account numbers, etc.) readily available.

capacity  
collateral  
credit

Before you meet with the loan officer, complete the “Pre-application Worksheet” (Worksheet 4) on page 155. This worksheet will help you to gather and organize the information you will need for your interview. Be sure to bring it to the interview.

## HAVING ASSISTANCE AT THE INTERVIEW

It is critical that you have the assistance you need at the interview. You and your planning group members should determine who is the most appropriate person to accompany you. Whether it is your facilitator, your guardian, or a housing counseling agency staff person, be sure that everyone is thoroughly prepared prior to the meeting. Let the loan officer know how many people will be attending the interview.

## REQUIRED DOCUMENTATION

The loan will be processed faster if you bring the following documents with you to the loan interview:

- the purchase contract for the house;**
- your bank account numbers, the current balance in your accounts, the address of your bank, and your most recent bank statements;**
- pay stubs, W-2 forms for the past two years, or other proof of employment and salary over the past two years;**
- documentation of all public benefits you receive, such as SSI statements;**
- information about debts, including loan and credit card numbers, the balances, and the names and addresses of your creditors;**
- any nontraditional credit information you have accumulated, including references from landlords or utility companies;**
- the name and address of your guardian, if you have one, and the details about the type of guardianship involved;**
- the name and address of your representative payee, if you have one, and a description of the assistance they provide to you; as part of the loan application, your representative payee will need to provide the lender with copies of the accounting reports submitted to the Social Security Administration for the previous two years.**
- evidence of your rent payments, such as canceled checks from the previous twelve months, or receipts. If someone paid rent on your behalf, bring along documentation from that person or agency explaining how and why that was done.**

## PROBATE COURT APPROVALS

Each state has its own laws regarding home purchase by individuals who have guardians. Depending on where you live, your guardian may be required to obtain approval from a probate court judge in order for you to purchase a house. In some states, only a conservator can make such a request. The length of time it takes to obtain court approval may be as long as six months. Your guardian should be pre-

pared to explain to the court why it will be beneficial for you to own your own home. The judge will also want information about the type and amount of assistance you will receive in your new home.

Unfortunately, the laws are often vague and subject to conflicting interpretations, even by judges in the same state. Your guardian or conservator should consult with an attorney in your area and the probate court that oversees the guardianship to determine exactly what is required to enable you to purchase a home. For further assistance, contact the Protection and Advocacy Agency in your state. The number may be obtained by contacting Fannie Mae's HomePath Services at 1-800-7FANNIE.

### LOCKING IN THE CURRENT RATE

Since interest rates are always subject to change, you may want to ask the lender to lock in the current rate while the application is being processed. Ask when the lock-in begins and how long it will last and request the agreement in writing. A lock-in that will last until the date of closing is the best; if it expires before the closing, you may need to ask for an extension.

The lender may charge a fee for locking in the rate, but this money will be deducted from your closing costs once you close on the house. However, if your loan application is denied, this money may not be returned.

### ESTIMATES OF CLOSING COSTS

Within three days from the date you submit your application for a home loan, the lender is legally required to provide you with an itemized list of what it will cost to settle (or close) the loan. This report is called a "good faith estimate." The lender must give you a copy of the government publication, *A Home Buyer's Guide to Settlement Costs*. Reading the guide is helpful. Also, there is a detailed discussion of closing costs in Chapter Five.

### LOAN PROCESSING

The lender who processes your loan will be looking primarily at two things:

**the property that you want to buy (since it serves as collateral for the loan); and  
your financial circumstances, as well as your credit history (since these factors will determine whether you will be able to repay the loan).**

The lender will ask for an appraisal of the property, review your credit report, and verify the information on your loan application. The lender will also need to have assurance that the property is in sound condition, and may ask for a copy of your property inspection report.

## PROPERTY APPRAISAL

The lender will arrange to obtain an appraisal, which is an estimate of the value of the property. You will be charged for this service. A professional appraiser will judge how much the house is worth based on prices that have been recently paid for similar homes in the same area. An appraisal is required because the lender will not lend you more than a certain percentage (typically 95 percent) of the value of the house. This is called the “loan-to-value ratio.” If the appraised value of the home is less than the price you have agreed to pay, you may receive a smaller mortgage than you asked for. If this happens, you will have to pay a larger down payment. However, if you included an appraisal contingency (discussed in Chapter Three) in your contract and the appraisal is much lower than expected, you might be able to re-negotiate the price with the seller.

## CREDIT REPORT

The lender will order a credit report on you. Both you and the lender will receive a copy of the report. As we have discussed, your credit report will show how you have handled any past debts and credit accounts, such as car loans or charge accounts. If you have produced documentation of your nontraditional credit history and this documentation reveals good bill-paying habits, the lender should be satisfied.

If there are any negative items on your credit report, the lender will probably ask for a written explanation from you. Negative items would include a history of late payments or failure to pay back money you borrowed. This is routine practice; do not be alarmed about this requirement. Respond as quickly as possible with an honest statement about what caused the problem and how it was resolved.

## REPRESENTATIVE PAYEE

If you receive cash benefits from the Social Security Administration (i.e., SSI, SSDI) and you are unable to manage your benefit payments, the Social Security Administration (SSA) may select a person or organization to do so for you. The representative payee receives cash benefit payments on your behalf and determines how, in your best interest, your funds will be spent. Historically, people who have resided in institutions, nursing homes, group homes, and other housing programs run by agencies have had representative payees assigned to them.

A representative payee is not the same as a guardian (guardianship was discussed earlier in this chapter). Many individuals who have representative payees do not have guardians. The responsibilities of a representative payee are very specific and are closely monitored by the SSA, which has strict guidelines to ensure that your money is spent in ways that will benefit you and meet your needs. The SSA requires that your representative payee file a written report at least once a year detailing how your money was spent.

As part of the loan application, your representative payee will need to provide the lender with copies of the accounting reports submitted to the SSA for the previous two years.

## VERIFICATION

The lender will verify the information that you provided on your application by requesting the same information directly from your employer or other sources you list. This includes information about your employment and credit history, your checking and savings accounts, and your rent payment history.

## APPROVAL OF THE MORTGAGE INSURER

Finally, if the lender requires you to have private mortgage insurance (PMI), the loan will also have to adhere to any rules that the mortgage insurer may have. If you obtain a loan through the FHA, VA, or RHS, you must meet their mortgage insurance standards.

## SPEEDING UP THE APPROVAL PROCESS

During the processing, if the lender requests additional information, be sure to respond promptly. You may call the lender occasionally to check on the status of your application. You should contact your employer or others who need to provide documentation, references, or information for your loan if this information is not being sent in a timely manner.

## COMMITMENT LETTER

Once your loan is approved, you will receive a commitment letter from the lender. This letter is a formal offer to provide the loan and will include the following:

- the amount of the loan;**
- the term of the loan (how many years you have to pay back the loan);**
- the loan origination fee (a percentage of the loan amount);**
- the points (a one-time fee that the lender charges to originate your loan, one point is equal to one percent of the mortgage);**
- the annual percentage rate or APR (the total cost of the mortgage stated as a yearly rate, including the interest and origination fees);**
- the monthly mortgage payment (PITI: principal, interest, taxes, and insurance); and**
- a list of any documentation not yet provided which you will need to supply before the closing.**

The lender will ask you to accept the loan offer and close the loan within a certain period of time. Be sure to thoroughly review the commitment letter before you sign it, and ask your planning group and any other appropriate person(s) to review it. You should be confident that you understand everything in the letter, and that you will be able to meet all of the conditions set by the lender. When you sign the commitment letter, you agree to accept the terms and conditions of the loan offer.

## LONG-RANGE PLANNING

You and your planning group have done a great deal of work to reach this stage in the home-purchase process. Thinking about and planning for the future is equally important if you are to be secure and comfortable in your new home. The following are some critical areas to consider.

### DEVELOPING A PLAN FOR LONG-TERM MAINTENANCE

You will probably live in your new home for many years. Whether it is a new house or an older home, it will need repairs and maintenance. While you may anticipate and prepare for such routine improvements as painting, wallpapering, or installing new carpeting, unexpected and costly repairs will be necessary from time to time.

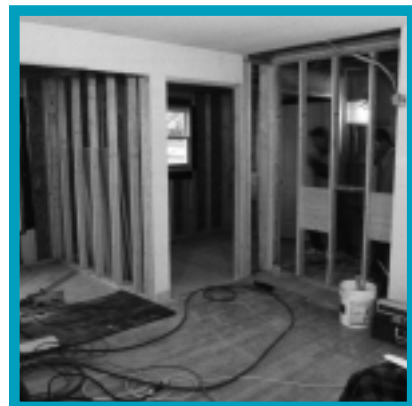
In addition to your mortgage payment and other monthly expenses, you must be prepared for the costs of repairs and upkeep on your home. There are a number of ways to ensure that you will always have money set aside for maintenance. Some homeowners have established a special escrow account specifically for maintenance and repairs. If you risk losing public benefits from accumulating too much money, a trust or escrow account may be established to protect these funds. If you receive assistance from an agency and it manages funds allocated for you, the agency may agree to set aside a certain amount of money to be used for home maintenance. Depending on the age and condition of your home, \$50 to \$100 per month is usually adequate. Again, your planning team may be helpful in assisting you as you prepare for long-term maintenance and repairs.

### DEVELOPING A PLAN FOR HOME IMPROVEMENTS AND PROPERTY TAX INCREASES

Like most homeowners, you probably would like to make some changes that will make your house more comfortable and attractive. You may wish to add a deck or porch; install a hot tub, air conditioner, or fence; establish a garden or plant trees; or change the color of your house. As with routine maintenance, it is important to plan for these improvements.

Along with owning a home comes the responsibility of paying property taxes, which are guaranteed to increase at some point. Even if you have an escrow account for your taxes, it is critical to establish a fund to cover any increase in your tax bill.

Having a cash reserve for all of the situations we have discussed will help to prevent emergency situations, reduce the amount of worry associated with being a new homeowner, and make your experience in your new home all that you hope it will be.



## DEVELOPING A PLAN FOR LONG-TERM ASSISTANCE

By now, you and your planning group have spent many hours thinking about the amount and type of assistance you will need in your new home. This assistance may look very different from what you have been receiving in your current living situation. Having a detailed plan about how you will receive the assistance you need is an ongoing task. You must think about your future needs, as well as your immediate requirements, and be prepared to re-design your assistance plan as your needs and desires change.

### YOU MAY WANT TO ASK YOURSELF THE FOLLOWING QUESTIONS:

**Do I have adequate personal assistance?** This means that you will be able to do everything you need to on a day-to-day basis, such as taking care of personal care needs, receiving assistance at your job, maintaining your home, shopping, cooking, eating, communicating, paying bills, caring for pets, maintaining relationships with friends and family, and participating in community activities.

**Am I prepared for emergencies?** If you plan to live or spend time alone in your home, you must have a plan for handling emergency situations. You may arrange with a neighbor to help if you need to get out of your home, or go to the hospital, or to be “on-call” for crises. Another approach is to arrange for someone to carry a beeper providing you with continuous access to assistance if you need it. If you have difficulty moving about or communicating, notify your local fire and police departments of your location. If there is an emergency, they will be able to provide you with the fastest and most appropriate assistance.

**Have I considered all of my transportation needs?** As much as you may love your new home, it can feel like a prison if you do not have access to transportation. Be sure that you have a plan in place for transportation. Consider whether you will use public transportation, purchase a vehicle, ask for help from neighbors or co-workers, or hire someone to provide you with needed transportation.



## TAKING ADVANTAGE OF OTHERS' EXPERIENCES

There are a number of people facing similar barriers who have successfully purchased homes. Make a point of finding out how they accomplished their goal. How was the planning organized? Where did they obtain financing? What does their personal assistance consist of? While you will have your own unique barriers and challenges to deal with, you can probably learn from the mistakes and achievements of others.

## USING YOUR TEAM MEMBERS

The people who have agreed to be part of your planning group will bring their own experiences, knowledge, and personal contacts to the team. Don't overlook these group members as you search for people who have particular talents and expertise. You should always be asking, "Who do I know who could help?"

## IF YOUR LOAN APPLICATION IS REJECTED

If your application is turned down, you will want to find out why, so you can do whatever needs to be done to correct any problems. In doing so, you will have the best possible chance of getting a mortgage in the future.

## UNDERSTAND WHY THE LOAN WAS DENIED

A lender must explain in writing why it made the decision to deny you a loan. Talk to the loan officer to find out the specific reason(s) why you did not receive the loan you requested. There is a possibility that your lender may reconsider your application. If not, ask what you can do to improve your chances of getting a mortgage in the future. Finally, being turned down by one lender does not mean that other lenders will reject your application. Don't give up!

*Let's take a look at some reasons a loan may be denied.*

**Insufficient funds.** Make sure that you have looked at all the sources of assistance reviewed in previous chapters. Have you overlooked any programs that could help with down payment or modification expenses? Is there a family member who might be willing to help out with the closing costs? You might try to persuade the seller to finance a second mortgage, which would reduce the amount of down payment money you would need. A Lease-Purchase Mortgage Loan (rent with the option to buy) may eliminate the problem of insufficient savings for a down payment.

**Insufficient income.** The qualifying formula the lender uses may show that you can't afford the house you want to buy. Be sure to point out any unusual circumstances, such as the fact that your rent is as high as the mortgage payment would be, or that the agency that provides you with assistance has committed funds for rehabilitation, ongoing maintenance, property taxes, or property insurance.

**Too much debt.** You may owe too much money for the lender to feel comfortable giving you a loan. If you are very close to qualifying, you may be able to convince the lender to reconsider, especially if your credit history is good. Otherwise, you will need to pay off some of your bills before buying a house, or choose a less expensive house.

**Poor credit rating.** If a lender refuses to give you a loan based on a negative credit report, you are entitled to get a free copy of the report from the credit reporting agency. You may challenge any mistakes in the report and insist that the agency include your comments about any unresolved disputes in its report. If you used a nontraditional credit report to apply for a loan, you might want to ask a non-profit housing group to help present the documentation more favorably.

If your credit is poor, you should start paying back your debts. Once you have improved your credit profile, you may be in a better position to start looking for a house again. To contact the Consumer Credit Counseling Service (CCCS) organization closest to you, call 1-800-388-2227. These agencies offer assistance in repaying your debts. For example, they may be able to negotiate with creditors for more affordable repayment terms. It may take months or even years to repair your credit record, but this does not mean that you will never be able to get a loan. You may have had a poor credit history and then took steps to pay off your bills. If you have cleared up your debts and stuck to a budget, a lender will take this into account.

**Low appraisal, poor condition of the property, or illegal zoning items.**

Your application may have been rejected because the property appraisal was lower than the agreed-upon purchase price. If this is the case, you might be able to negotiate with the seller again for a purchase price the lender would agree to finance. If the appraisal is low because repairs are needed, the seller may agree to fix the problem before the sale of the house. The lender may also agree to the loan if the seller agrees to set aside funds in an escrow account for the repairs to be completed after the sale.

A “zone” is a specific section of land, such as a neighborhood. Zoning laws dictate how the section of land is to be used. For example, neighborhoods are usually designated as “residential” areas. It is typically illegal to operate a business in a residential area. If the property does not meet the legal requirements for that neighborhood, these zoning issues will need to be corrected before the house can be sold.

## REPORT SUSPECTED DISCRIMINATION

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

If you are a woman, you have a right to establish your own credit, based on your own credit records and earnings. The lender will include all of your income, such as documented child support and alimony payments (if you choose to disclose them) and part-time employment.

If you think a lender has denied your loan application unfairly (for example, because you have a disability), you should report your complaint to the lender’s regulatory agency or to HUD at 800-669-9777, the agency responsible for enforcing the Fair Housing Act.

## HAVE I USED ALL MY RESOURCES TO FIND THE RIGHT LOAN?

*As a reminder, here are some questions you may want to ask yourself:*

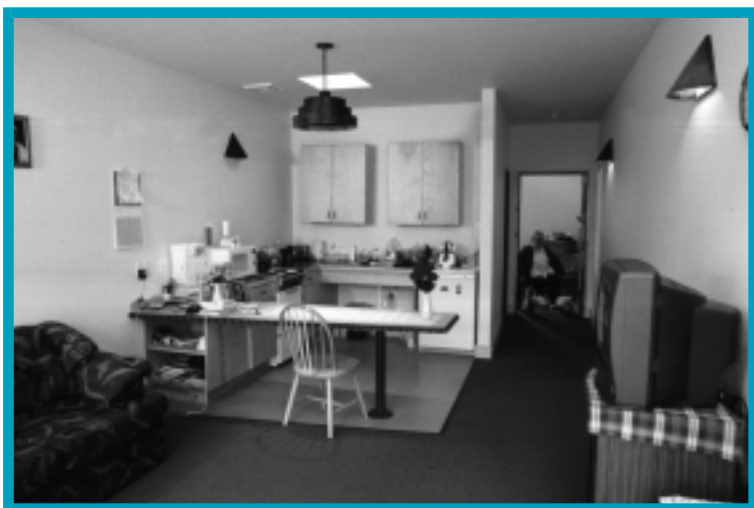
- Have I looked into all of the loan possibilities available to me?**
- Have I used my planning team and housing counselor/education provider to help with research, contacts, referrals, and advice?**
- Have I approached more than one lender in applying for a loan?**
- Do I have a well-documented credit history, with appropriate recommendations from landlords or others to whom I have made payments?**

If you have done your homework and have taken advantage of all of the advice and guidance available to you, you will have the greatest opportunity for owning the house of your dreams!

## ACTION PLAN

Once again, it is time to review your current action plan and develop a new one. Make a new list of opportunities and obstacles, as well as strategies to overcome them. As before, specify the tasks that need to be completed and write down next to each task the name of the person who will be responsible for its completion, along with a deadline for completing the task.

Take a look at the people who are currently involved in your planning group. Consider whether new people need to be included at this point and invite them to participate.



## CHECKLIST

Learn about various types of loans.

Choose a lender.

Arrange for an interview, using assistance as needed.

Prepare necessary documentation.

Complete a loan application.

Get pre-qualified by a lender, if you have not done so.

Arrange to have a representative payee, if applicable, supply the lender with copies of the accounting reports submitted to the Social Security Administration for the previous two years.

Obtain probate court approval, if applicable.

Develop a plan for long-term maintenance.

Develop a plan for capital improvements and tax increases.

Develop a plan for long-term assistance.

Make a list of opportunities and obstacles.

Develop a new action plan.

Invite new people to participate in your planning group (if necessary).

Read Chapter Five.

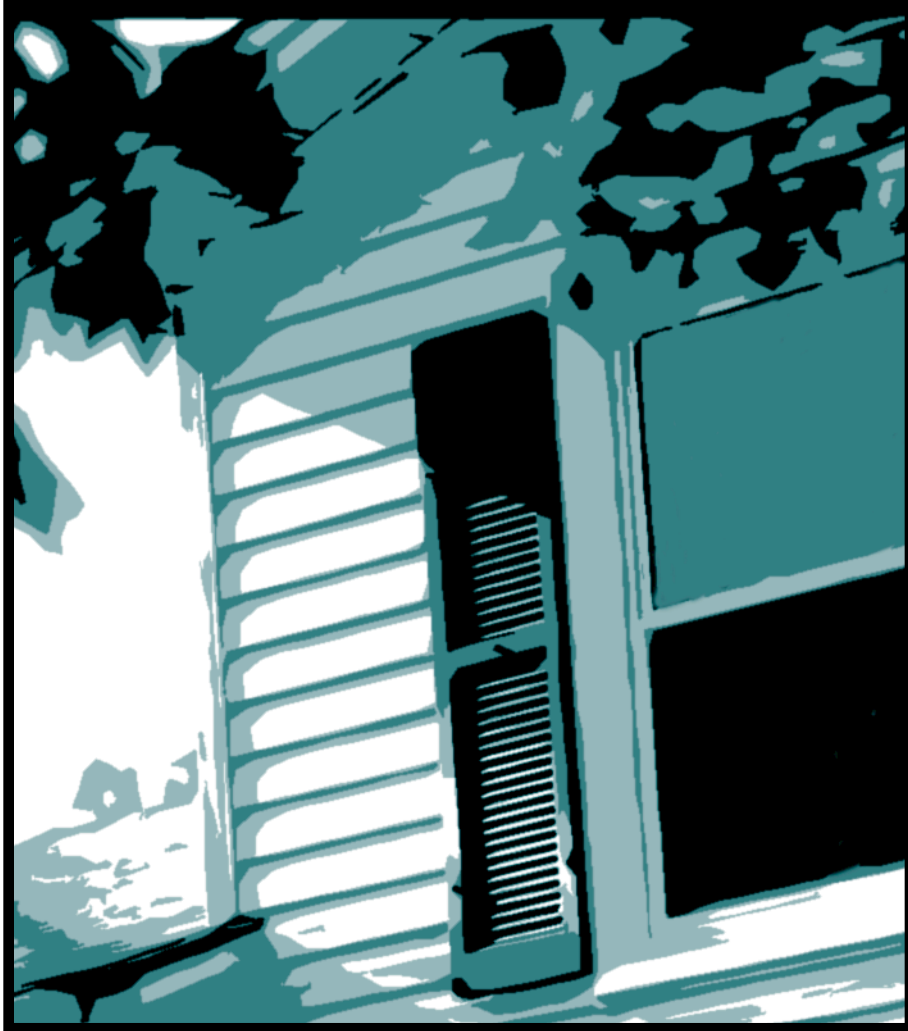
## SUMMARY

This chapter has outlined the steps you will need to follow as you shop for a mortgage loan suited to your needs. You will need information to compare various lenders' policies and terms. Therefore, ask a lot of questions and be specific about your needs. When you find a lender that seems right for you, complete a loan application and schedule an interview. Once the loan is processed, you will be notified whether your application was approved or denied. If you were not approved, find out why and take the necessary steps to correct the situation. If your application is approved, you are on your way to homeownership! In the next chapter, we will look at what is involved in "closing" or finalizing the loan, issuing the mortgage, and getting the keys to your new house!

C H A P T E R

5

C L O S I N G



## OVERVIEW

The loan closing, or settlement, is a meeting to finalize your loan, issue a mortgage, and receive the keys to your new home.

Chapter Five describes a series of activities that need to happen in the final weeks prior to the closing. The first step is to complete a final review. The final review should be conducted with your planning team, who may help you complete a series of tasks in preparation for closing. Examples of activities you will need to complete include selecting a settlement agent, conducting a title search, conducting a house inspection, and planning for long-term assistance.

Following the discussion of pre-closing activities, the section titled “Allocation of Closing Costs” provides a detailed description of all costs associated with closing. These include fees paid to the lender, advance payments or prepays, and escrow accounts or reserves. The chapter offers an overview of what to expect on the day of closing. This includes signing of papers, the payment of closing costs, and an explanation of costs typically paid by the buyer at closing. Finally, a discussion on revising your action plan is included, followed by a checklist and summary that may be helpful to ensure that you are well prepared.

The closing process in purchasing a home varies in different areas of the country. However, the description of the closing process provided in this chapter will give you an idea of what to expect, and will describe the major activities involved leading up to and during the closing.

## FINAL REVIEW BEFORE SETTING THE CLOSING DATE

As closing nears, there may be apprehension for both buyer and seller. Buyers may have second thoughts about borrowing a large amount of money. Buyers and sellers may get nervous about something going wrong that will interfere with the sale.

The signed sales contract and the signed loan commitment letter obligate both you and the seller to complete the transaction. In fact, if you fail to follow through with the closing, you will lose your deposit and be at risk of a lawsuit.



You are ready to close on your house, and it is time to review all of the work and preparation that has been done. A good way to do this is to look over the “Checklist” and “Question” sections at the end of Chapters One through Four, to be sure that nothing was overlooked. The following list is a reminder of the critical activities that must be finalized:

- secure funds for down payment and closing costs;**
- obtain probate approvals (if necessary);**
- obtain written estimates for repairs;**
- develop a plan for long-term personal assistance;**
- develop a plan for long-term maintenance; and**
- arrange for assistance with ongoing transportation needs.**

### PRE - CLOSING MEETING

Well in advance of the closing date, ask your planning team members to help you recheck the steps leading up to your home purchase. In addition to the critical activities list above, review all of your action plans to ensure that all of your obstacles have been overcome and that you have taken advantage of all of your opportunities.

This is a good time to start thinking about who will accompany you to the closing meeting. Consider the individual(s) that will be in the best position to offer assistance to you on that day.

Before the date for closing is set, there are a considerable number of tasks to complete. Each of these tasks is described.

### SELECT A SETTLEMENT AGENT

Depending on where you live, your closing may be conducted by a lender, a title insurance company, an escrow company, a real estate broker, or an attorney for the buyer or seller. If you are in a position to compare and shop for a settlement agent, you might save some money. Most lenders have a list of approved settlement agents in your area. The “Settlement Costs Worksheet” (Worksheet 5 on page 157) can help with this. It lists all of the various expenses that must be paid to a settlement agent, and which of these expenses are paid by the buyer or by the seller.

### COMPLETE THE TITLE SEARCH

A title search on the property must be completed before the closing. It is customary for the buyer to pay for the title search.

A title is a legal document that proves a person's ownership of a property. The lender will require a title search to make sure that the seller is actually the owner of the property. The title search will also uncover any liens against the property. A lien is a legal claim filed against the property by creditors trying to collect unpaid

bills, or by the Internal Revenue Service for nonpayment of taxes. A claim gives creditors the right to collect the money owed them if, and when, the owner sells the property. All liens must be paid off before the property may be sold.

## PURCHASE TITLE INSURANCE

In order to be protected against problems with the title, the lender will require that title insurance be purchased. There are two types of policies:

### a lender's policy and an owner's policy.

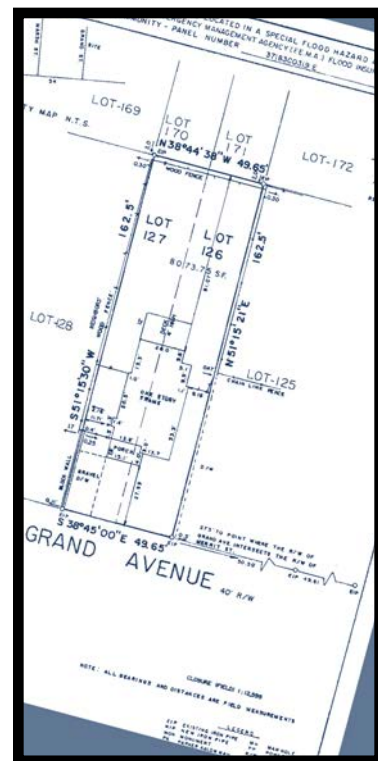
The lender's policy protects the lender in case a problem with the title is discovered after the property has been bought. The owner's policy protects you. There is a one-time fee for title insurance and you will probably be required to pay the cost for both policies. The lender's policy is required, but the owner's policy may be optional. It is recommended that you purchase an owner's policy in case there are problems with the title in the future. Securing a combined lender's and owner's policy may be less expensive and save you some money. On occasion, the company that previously insured the title may give you a price break by offering you the same policy.

## MEET THE CONDITIONS OF THE LOAN APPROVAL

Be sure you clearly understand all of the conditions of the loan approval that were included in the lender's commitment letter. If you have questions about the letter, call your lender to discuss them. If the house you are buying is in violation of a building code or zoning regulation, the commitment letter may specify that those problems must be taken care of prior to the closing. If the seller has agreed to make repairs required by the lender, you will want to see that the work is completed (and done correctly) before closing. Don't hesitate to ask the real estate agent to arrange a walk through of the property for you just before the closing.

## OBTAIN A PROPERTY SURVEY

A survey is a drawing or map that shows the exact legal boundaries of the property. It also shows any physical features, such as improvements to the property. The lender may request a survey prior to closing to verify that the property's boundaries are as described in the purchase and sale agreement. The charge for this service is normally paid by the buyer. For example, the survey, or plot plan, may show that a neighbor's fence extends beyond a boundary line of the property you plan to buy (or vice versa). Once in awhile, more serious violations are uncovered and they must be cleared up. If the property was recently surveyed, ask the person who did the job to update the survey. An update will involve less work and may save you some money.



### OBTAIN A TERMITE CERTIFICATE

In some areas of the country, homes must be inspected for termites or other insects before they can be sold. Even if this is not a requirement, it is a good idea to obtain such an inspection. Usually, the seller pays for this. You will want a certificate from a termite inspection firm stating that the property is free of both visible termite infestation and termite damage.

### ESTABLISH AN ESCROW ACCOUNT FOR LONG-TERM MAINTENANCE

As discussed previously, you must be prepared for the costs of repairs and upkeep on your home. The most common way to set aside money for maintenance is to establish an escrow account. If you risk losing public benefits from accumulating too much money, a trust or escrow account may be established to protect these funds. If you receive assistance from an agency and it manages funds allocated for you, the agency may agree to set aside a certain amount of money to be used for home maintenance. Money from the agency, your funds, or other sources may also be deposited into this account on a monthly basis to cover the costs of ongoing maintenance.

### SECURE PROBATE APPROVAL

If you have a guardian, you will have secured the necessary probate court approval to purchase a home. In some states, a probate judge will have to sign papers that become part of the closing documents. These papers need to be obtained well in advance of the closing date. As discussed in Chapter Four, your guardian needs to consult with an attorney in your area and the probate court that oversees the guardianship to determine exactly what is required to enable you to purchase a home. For further assistance, contact the Protection and Advocacy Agency in your state. The number may be obtained by contacting Fannie Mae's HomePath Services at 1-800-7FANNIE.

### OBTAIN ACCOUNTING REPORTS FROM YOUR REPRESENTATIVE PAYEE

If you have a representative payee who manages your Social Security benefit payments, you must ensure that he or she has provided the lender with copies of accounting reports submitted to the Social Security Administration for the previous two years.

## COMPLETE ALL STATE CERTIFICATIONS

If you receive services and/or funding from an agency, your home may need to be approved by a certification agency within your state. When money from sources such as Medicaid is spent on your behalf, the agency that manages these funds needs to be sure that the money is being used in your best interest. Each state has different requirements for certification. Check with the agency where you receive funds or assistance to learn about the requirements in your area.

## OBTAIN COMMITMENT LETTERS FOR FUNDS AND ASSISTANCE SERVICES

If an agency will be providing funds or other assistance, it is necessary to get a commitment in writing. It is very important to do this prior to your closing, as you will need to give these letters to your lender prior to, or at the closing. Commitment letters need to spell out exactly how much money will be allocated on your behalf, how much assistance will be provided, and for what length of time. For example, if an agency establishes an account for your long-term maintenance, the letter needs to state how much money will be set aside each month, who will manage the account, and how the funds can be accessed.

## DOCUMENT PRINCIPAL, INTEREST, TAXES, AND INSURANCE (PITI) RESERVES

The lender may require that you demonstrate that you have enough money set aside to cover your mortgage payment for one or two months. This reserve, similar to the escrow accounts, is a guarantee for the lender that if you have a lapse in income for any reason, you will be able to pay your mortgage until you can make other financial arrangements.

## REVIEW YOUR LONG-TERM ASSISTANCE PLAN

By now, you should have a solid plan in place that describes how you will receive the assistance you need in your new home. It is essential to have a back-up plan to cover emergency or unusual circumstances. There may be occasions when a support person is unavailable, you are ill and need extra support, or you are unable to stay in your home, for example, if repairs are being done. Having a detailed plan in place prior to the closing will ensure your safety in your new home.



## SET THE CLOSING DATE

A closing date is scheduled once your loan has been approved and the commitment letter is accepted. Usually, the real estate sales professional will coordinate this date with you, the seller, your lender, and the closing agent. If the lender has given you a rate lock-in (a promise that your interest rate will be the same as it was at the time you submitted your application), make sure that closing occurs before the lock-in expires.

## PURCHASE PROPERTY INSURANCE

Your lender will require that you purchase property or "hazard" insurance, which protects you and the lender from loss in the event the house is destroyed or damaged in any way. Typically, the lender requires only minimal coverage. This is called "replacement value" because it is the amount of money the insurance company will pay to replace (rebuild or repair) your house if it is destroyed.

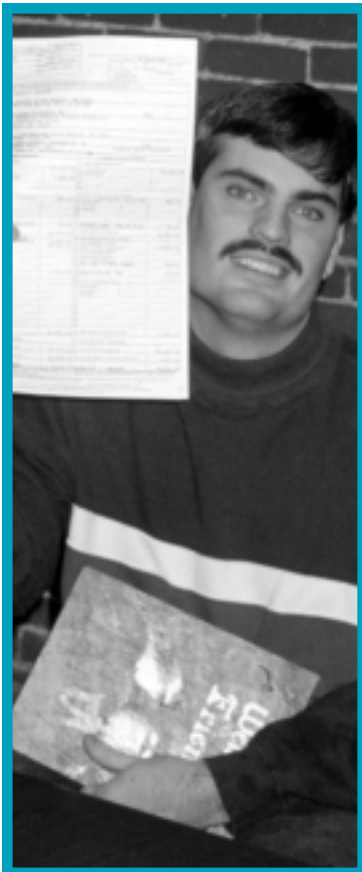
To find a policy that suits your needs, compare prices from several insurance companies for the specific policy you want. Be sure, when you compare prices from different companies, that you have been quoted rates for the same coverage. If you already have another insurance policy (such as car insurance), check first with the company that sold you that policy. Often if you buy more than one type of insurance from the same company, you receive a cheaper rate. It may make sense to take over the existing insurance policy held by the seller, but it is still important to compare prices with several companies.

One way to save money is to request a higher deductible amount on your policy. The deductible amount is a set amount that you pay out of your own funds to cover repairs or loss of your home or belongings. Once you pay the deductible, the insurance company pays the rest of the costs involved. The deductible amount can range from zero (in this case, the insurance company pays the entire amount) to several thousand dollars. If you choose to have a higher deductible, you pay the minor losses yourself, and you have protection against major losses. The higher your deductible amount, the less expensive your policy will be.

Most home buyers purchase a standard package of insurance that includes:

**personal liability insurance, that protects you if you are sued by someone who is injured on your property or who is injured by a member of your family, except in an automobile accident; coverage against fire, theft, and weather-related hazards, such as hurricanes, floods, or ice damage.**

In addition to the standard coverage, you may want to include additional coverage to your policy, usually referred to as "riders." If you own an expensive camera, stereo, computer equipment, or valuable jewelry, you may want to purchase additional coverage for these items.



Lenders usually require that the first year's premium (the bill for your insurance policy) be paid in full at or before closing. A lender may insist on adding future hazard insurance premiums to your monthly mortgage payments in order to guarantee that the policy remains in effect for the life of the loan. The lender will then keep this portion of your payments in an escrow account and will pay the insurance bill when it comes due each year. If you plan to obtain the insurance on your own, you will need to bring a binder (a document from the insurance company that outlines the amount and coverage needed, and the effective dates) and a paid receipt with you to the closing.

### DECIDE WHETHER TO HAVE AUTOMATIC PAYMENT FOR PITI

You may decide to arrange for your bank to automatically withdraw the money to cover your monthly mortgage payment from your checking or savings account. This is a convenience that saves the time it takes to write a check and mail it each month. You need to be sure the money is available in your account each month. If the bank attempts to withdraw the money to make your payment, and you do not have the funds available, you can face additional bank charges.

### CONSIDER A HOMEOWNER'S WARRANTY

If you're buying a new house, you are entitled to receive a homeowner's warranty that protects against defects in your home. Both the homeowner's warranty and a certificate of occupancy will be provided at closing. It is illegal to live in a newly constructed home unless you have a certificate of occupancy.

In recent years, homeowner's warranties have become available for older homes. These warranties serve as an insurance policy. If one of the major systems (such as your heating system, air conditioning, or a major appliance) breaks down during the first year you own your house, the warranty will cover the cost, or part of the cost, to replace or repair it. If you are thinking about buying such a policy or accepting a policy provided by the seller, examine it closely to see which potential problems are covered and which are excluded.

### CONDUCT A FINAL HOUSE CHECK

As discussed earlier, one of the recommended contingencies to include in your purchase and sales agreement is the right to examine the property within 24 hours of closing. You may prefer to do this "house check" inspection without the seller, so that you feel more comfortable taking a close look at things. The house check allows you to make sure that the seller has moved out of the house and left behind any furnishings or property (such as appliances) that you agreed upon. You can also make sure that all conditions in the purchase and sales agreement have been met. Often, the real estate sales professional will accompany you for the final house check.

If your sales contract made the seller responsible for ensuring that the plumbing, heating, mechanical, and electrical systems are in working order at the time of the closing, this is your last chance to make sure that everything is in working condition. During the house check, things that have not been taken care of need to be noted. If these items cannot be corrected before the closing, the settlement agent may withhold funds from the seller to cover payment of the agreed-upon repairs. If you observe major problems or violations of the purchase contract on the house check inspection, you have the right to hold up the closing until they are corrected.

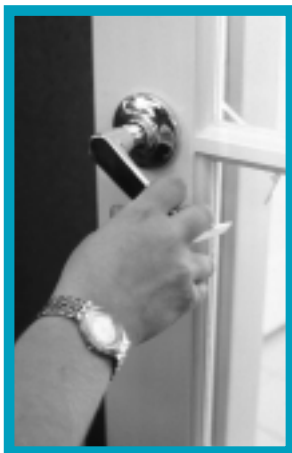
### CONDUCT A HOUSE TOUR WITH THE SELLER

The house tour is different from the final house check inspection. In this situation, it is critical to have the seller accompany you on a room-by-room trip through the house. Your goal is to gather as much information about the house as possible from the seller. The tour can be done either before or shortly after the closing. Come prepared with questions and a note pad, or even a tape recorder. If possible, bring a friend, family member, or someone else who can accompany and assist you on the tour. If the person is an experienced home buyer, they may be more knowledgeable about what areas you'll want to look at more closely. You'll want to ask where to find:

- main cutoff valves for water and gas;**
- emergency switch on the furnace;**
- hot water heater thermostat;**
- main electrical switch;**
- fuse box or circuit breaker box; and**
- septic tank opening, leach field, and well (if applicable).**

Bring some labels with you, so you can label the switches and cutoff valves.

Some other questions and considerations are: Is the seller familiar with the history of the house? Are there old photographs that you can reproduce? Are there wiring diagrams, or plans for renovations that were never completed? Who supplies the fuel oil? When is trash pick-up day? Ask the seller for a list of names and phone numbers of contractors and other professionals (electricians, plumbers, roofers, and carpenters) who have worked on the house. Find out what they did and when it was done. What type of seasonal maintenance did the seller do? Are there trees that require pruning, or plants that require special care? Be sure to ask the location of the shutoff for outside faucets. Ask the seller to tell you if outside faucets will freeze if you don't drain them before winter. Ask the seller for manuals or warranties he or she may have kept.



## OBTAIN A FINAL ESTIMATE OF CLOSING COSTS

In the past, buyers were sometimes surprised at the time of closing with hundreds or even thousands of dollars of unexpected closing costs. Fortunately, that is not the case today. You will know in advance exactly what costs you will be responsible for and the approximate total.

The lender is required to give you an estimate of closing costs soon after you have filed your application for a loan (see Chapter Four). Since these estimates are subject to change, you have the right to inspect the settlement form (called the HUD-1 Settlement Statement) one business day prior to closing.

## HUD-1 SETTLEMENT STATEMENT

The Settlement Statement is required by federal law, and is one of the most important documents you will handle. Its purpose is to itemize the services provided and list the charges to the buyer and the seller. The form is filled out by the settlement agent who conducts the closing. Both the buyer and seller must sign it.



HUD-1 Settlement Statement Form on next two pages.

**A. Settlement Statement**

U.S. Department of Housing  
and Urban Development



OMB No. 2502-0285

<b>B. Type of Loan</b>			6. File Number	7. Loan Number	8. Mortgage Insurance Case Number
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> FmHA	3. <input type="checkbox"/> Conv. Unins.			
4. <input type="checkbox"/> V.A.	5. <input type="checkbox"/> Conv. Ins.				

**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 AND ADDRESS OF BORROWER:**

**E. NAME AND ADDRESS OF SELLER:**

**F. NAME AND ADDRESS OF LENDER:**

**G. PROPERTY LOCATION:**

**H. SETTLEMENT AGENT:**

**I. SETTLEMENT DATE:**

<b>J. SUMMARY OF BORROWER'S TRANSACTION</b>		<b>K. SUMMARY OF SELLER'S TRANSACTION</b>	
<b>100. GROSS AMOUNT DUE FROM BORROWER:</b>		<b>400. GROSS AMOUNT DUE TO SELLER:</b>	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower: (from line 1400)		403.	
104.		404.	
105.		405.	
<b>ADJUSTMENTS FOR ITEMS PAID BY SELLER IN ADVANCE:</b>		<b>ADJUSTMENTS FOR ITEMS PAID BY SELLER IN ADVANCE:</b>	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
<b>120. GROSS AMOUNT DUE FROM BORROWER:</b>		<b>420. GROSS AMOUNT DUE TO SELLER:</b>	
<b>200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:</b>		<b>500. REDUCTIONS IN AMOUNT DUE TO SELLER:</b>	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
<b>ADJUSTMENTS FOR ITEMS UNPAID BY SELLER:</b>		<b>ADJUSTMENTS FOR ITEMS UNPAID BY SELLER:</b>	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
<b>220. TOTAL PAID BY/FOR BORROWER:</b>		<b>620. TOTAL REDUCTIONS IN AMOUNT DUE SELLER:</b>	
<b>300. CASH AT SETTLEMENT FROM/TO BORROWER:</b>		<b>600. CASH AT SETTLEMENT TO/FROM SELLER:</b>	
301. Gross amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	
302. Less amount paid by/for borrower (line 220)		602. Less total reductions in amount due seller (line 620)	
<b>303. CASH ( <input type="checkbox"/> FROM ) ( <input type="checkbox"/> TO ) BORROWER:</b>		<b>603. CASH ( <input type="checkbox"/> TO ) ( <input type="checkbox"/> FROM ) SELLER:</b>	

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	mos. to			
903.	Hazard insurance premium for	yrs. to			
904.	Flood insurance Premium for	yrs. to			
905.					
1000. RESERVES DEPOSITED WITH LENDER:					
1001.	Hazard insurance	months @ \$	per month		
1002.	Mortgage insurance	months @ \$	per month		
1003.	City property taxes	months @ \$	per month		
1004.	County property taxes	months @ \$	per month		
1005.	Annual assessments	months @ \$	per month		
1006.	Flood insurance	months @ \$	per month		
1007.		months @ \$	per month		
1008.					
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.	Attorneys' fees to				
	<i>Includes above items Numbers:</i>				
1108.	Title insurance to				
	<i>Includes above items Numbers:</i>				
1109.	Lender's coverage \$				
1110.	Owner's coverage \$				
1111.					
1112.					
1113.					
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES:					
1201.	Recording fees: Deed \$	Mortgage \$	Release \$		
1202.	City/county tax / stamps: Deed \$ ; Mortgage \$				
1203.	State tax / stamps: Deed \$ ; Mortgage \$				
1204.					
1205.					
1206.					
1300. ADDITIONAL SETTLEMENT CHARGES:					
1301.	Survey to				
1302.	Pest inspection to				
1303.					
1304.					
1305.					
1306.					
1307.					
1400. TOTAL SETTLEMENT CHARGES (Enter on line 103, Section J and line 502, Section K)					

I have carefully reviewed the HUD-1 Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the HUD-1 Settlement Statement.

Borrower: \_\_\_\_\_ Date: \_\_\_\_\_ Seller: \_\_\_\_\_ Date: \_\_\_\_\_

Borrower: \_\_\_\_\_ Date: \_\_\_\_\_ Seller: \_\_\_\_\_ Date: \_\_\_\_\_

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.

Date: \_\_\_\_\_ Settlement Agent: \_\_\_\_\_ Date: \_\_\_\_\_

WARNING: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18 U.S. Code Section 1001 and Section 1010.

## ALLOCATION OF CLOSING COSTS

Let's take a look at the various closing costs. The buyer and seller may jointly decide who will pay each portion of the closing costs (this needs to be specified in the sales contract). While it is possible to have an agreement in which only one party pays all closing costs, usually these costs are shared by both parties. Some of the costs listed on the HUD-1 Settlement Sheet are described below, along with the line number for each cost. (Refer to the form on the previous pages.)

### FEES PAID TO THE LENDER

Fees are typically paid to the lender at closing. The following is a brief description of the fees:

**Loan origination fee (Line 801).** The loan origination fee covers the administrative costs of processing the loan. It may be described as a percentage of the loan (for example, one percent of the mortgage amount).

**Loan discount points (Line 802).** These points are charged by the lender in order to make a profit on the loan. Each point equals one percent of the mortgage amount. In some cases, you may be able to pay additional points upfront to reduce your mortgage interest rate.

**Appraisal fee (Line 803).** An appraisal is an estimate of the value of the property. A professional appraiser will judge the value of the house based on prices that have been recently paid for similar homes in the same area. The lender uses the appraisal to determine whether the value of the property is sufficient to sell the property if you fail to repay your loan. There is an appraisal fee that you may pay at the time you apply for the mortgage. It may appear on the settlement sheet as "POC," or "paid outside closing."

**Credit report fee (Line 804).** The credit report fee covers the cost of the credit report that the lender used to decide if you are responsible about paying your bills. As with the appraisal fee, you probably paid this fee when you applied for the mortgage.

**Assumption fee (Line 807).** This is a processing fee you pay if you take over the payments on the seller's existing loan.

### ADVANCE PAYMENTS OR PREPAYS

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

**Interest (Line 901).** You will probably have to pay the interest on the mortgage from the date of closing to the date of the first monthly payment. Because you will not pay your first mortgage payment for at least a month, you will be charged for the interest that accumulates during this time. If your closing date is near to the



end of the month, the cost will be less than if your closing is at the beginning of the month. In other words, you begin to pay interest from the day you close on your house.

**Mortgage insurance premium (Line 902).** The lender may require you to pay two months to one year's premium at the closing. You may want to ask your lender about private mortgage insurance programs that do not require an entire year's premium at closing. After the closing, the premium will be included in your monthly mortgage payment.

**Property insurance premium (Line 903).** You may be expected to pay the first year's premium at closing. If you have already paid for such a policy, be sure to bring your binder to the meeting.

**Escrow accounts or reserves (Lines 1000-1008).** In most instances, the lender will pay the property taxes, mortgage insurance, and hazard insurance on your behalf. If this is the case, you will need to give the lender money (called a reserve) that will be set aside for these expenses. The amount that you are required to keep in reserve may be equal to one month's payments, or more, depending on the guidelines your lender follows.

**Title charges (Lines 1100-1113).** These are charges that must be paid to companies or individuals other than the lender. They may include:

- the closing fee;**
- title search;**
- title insurance premium;**
- fees for preparing documents; and**
- attorney fees (for legal services provided to the lender).**

Any fees you incur for your own real estate attorney are not part of the settlement procedures.

**Recording and transfer fees (Lines 1200-1205).** Most states impose a tax on the transfer of property and charge a fee for recording the purchase documents.

**Additional charges (Lines 1300-1305).** These charges include the surveyor's fees, charges for termite and other pest infestation inspections, and all other inspections required by the lender.

**Cost of repairs (Lines 104-105).** It is important to list the cost of any property repairs that you will pay. These costs will be included in the total amount of money you have spent to acquire the house.

**Adjustments (Lines 210-219).** At the closing, you will also look at items paid for by the seller in advance and any items that the seller still needs to pay for. The most common expense will be property taxes. Your responsibility for these taxes begins at the closing. If the seller has already paid taxes beyond the date of closing, you will need to reimburse him or her. If taxes are owed for any period of time prior to the closing, this amount will be subtracted from your settlement payment.

### FINAL RECKONING: THE BOTTOM LINE (LINE 103)

The bottom line is simply an accounting of income and expenses related to buying the house. Your income is a blending of the money you have available to put toward the purchase. This includes the amount of the loan, your deposit, down payment, and any grants or gifts you receive.

The expense side of the settlement sheet totals the various costs of purchasing the house. This list includes the sale price of the house, settlement charges, attorney's fees, the amount to be paid for repairs or rehabilitation, property taxes paid in advance, and escrow funds for maintenance.

### CLOSING: THE BIG DAY!

#### WHAT TO EXPECT AT THE MEETING

In most areas, the closing is a formal meeting typically attended by the buyer, the seller, the real estate sales professional, and representatives of the lender and the title company. In some areas a formal closing is not held. Instead, an escrow agent processes all the paperwork and collects and disburses the required funds. You may choose to hire a real estate attorney, although in many cases this is not necessary or required. Check with your real estate agent or lender to see if your state's laws require that an attorney be present at the closing. The attorney's role is to attend the closing, give advice about the signing of documents, and represent the buyer's interests. Your role at the closing will be to sign many documents, pay your closing costs, and collect the keys to your new house!



#### WHO CAN I BRING TO THE CLOSING MEETING?

You may invite anyone you wish to accompany you to the closing. If you have a guardian, that person will need to be present. If you need assistance to read documents, help to communicate clearly, or help with any other tasks that may be required at the closing, you need to arrange to have this assistance available.

#### EXPLANATION AND SIGNING OF CLOSING DOCUMENTS

The most time-consuming part of the closing process is the explanation and signing of numerous documents. Following is a description of the major documents to be signed at closing.

**Truth-in-lending Act (TILA) statement.** This document is required by federal law. It obligates mortgage lenders to explain in writing the terms and conditions of a mortgage. The lender must give a copy to a loan applicant within three business days of receiving the initial application.

The TILA statement lists the annual percentage rate (APR). The APR is the actual interest rate you pay on a yearly basis. An APR includes other costs of financing such as any fees paid by the borrower. This rate may be higher than the interest rate stated in your mortgage because the APR includes any points, fees, and other costs of credit. The TILA statement also sets forth the other terms of the loan, including the finance charge (the total amount of interest you will pay over the life of your loan), the amount financed, and the total payments required.

If the actual APR varies from the original estimate, the lender must give you a corrected TILA statement by the day of closing. If other items on the TILA statement have changed, but the APR is the same, the lender is not required to give you a new TILA statement. You need to check with the lender shortly before closing to see if the TILA statement is still accurate.

**The note.** The mortgage note is basically an IOU. It represents your promise to pay back the money you borrowed from the lender at a stated interest rate. The note spells out the terms of the loan, including the date your payments must be made and the location to send or present the payment.

The note describes any penalties that will be assessed if you are late in paying the loan. If you fail to make the required payments, if you sell the house without written consent from the lender, or if you violate the terms of your note or mortgage, you may be required to pay back the full amount of the loan before the end of the term.

**The deed.** A deed is a legal document that transfers and verifies ownership of a property. The seller must bring the deed to the closing, properly signed and notarized (made authentic by a person called a notary public).

**The mortgage.** The mortgage is a legal document that pledges a property to the lender as security for payment of a loan. Although you have possession of the property, the lender has a security interest in the property until the loan is fully repaid.

The mortgage restates the basic information contained in the note, as well as the date of the final scheduled payment. It also states the responsibilities of the borrower to pay principal and interest, taxes, and insurance in a timely manner; to maintain continuous hazard insurance on the property; and to properly maintain the property and not allow it to deteriorate.

The mortgage also states that if the borrower fails to meet these and any other requirements in the mortgage, the lender can demand full payment of the loan balance. In addition, if the borrower does not pay, the lender can foreclose on the property, sell it, and use the funds to pay off the loan, interest, and the legal costs of taking back the property. The borrower will receive any funds that remain after all of these expenses are paid off.

There may be a "deed of trust" used instead of a mortgage to secure the lender's interest in the property. With a deed of trust, a third party is involved in the sale. This person, called a trustee, holds the bare legal title to the property until the entire loan is paid and the borrower holds the equitable title to the property.

**Affidavits.** An affidavit is a written promise that you are telling the truth. At the closing, you may be asked to sign affidavits. One example of an affidavit that you may be required to sign would be a promise that you plan to live in the house. Affidavits may be required by state law or by the lender. If you provide false information, you may face criminal penalties, and you may run the risk of having the lender accelerate your loan (demand full repayment before the end of the term).

**Probate documents.** Be sure to bring all probate documents that are relevant to the purchase of your home. If a ruling was made by a judge, bring the documentation with you.

**Escrow accounts for repairs and PITI.** Have all of the information regarding your various escrow accounts with you at the closing, including their location and who will be responsible to maintain them.

## RECORDING THE DOCUMENTS

After all the papers have been signed and the fees have been paid, the mortgage (or "deed of trust"), and the deed must be officially recorded. They are generally recorded at the registry of deeds or the town recording office. This legal transfer of the property usually takes one to two days after closing and confirms the buyer as the official owner. The deed of trust is typically returned to the borrower after it has been recorded.

Be sure that the documents you sign at the closing are stored in a safe place. You may want to consider purchasing either a small, fire-proof safe for your home or a bank deposit box.

## GETTING THE KEYS TO YOUR NEW HOME!

House keys are the one item that sellers most commonly forget to bring to settlement. You will want to make sure you receive the keys for all the doors (basement, garage, etc.) in your new home.



## THE MEDIA

Local newspapers and other media may want to feature your successful home purchase as a news story. Because such a small number of individuals with disabilities have purchased their own homes, people are interested in learning more about how homeownership is possible. The media may provide a means of helping to share information with potential home buyers, families, neighbors, lenders, and real estate sales professionals. If you are approached by the media, you may decide whether to grant an interview. You have the right not to speak with them. Being interviewed by reporters may be stressful. You will want to ask your team for assistance in preparing your comments in advance of the interview.

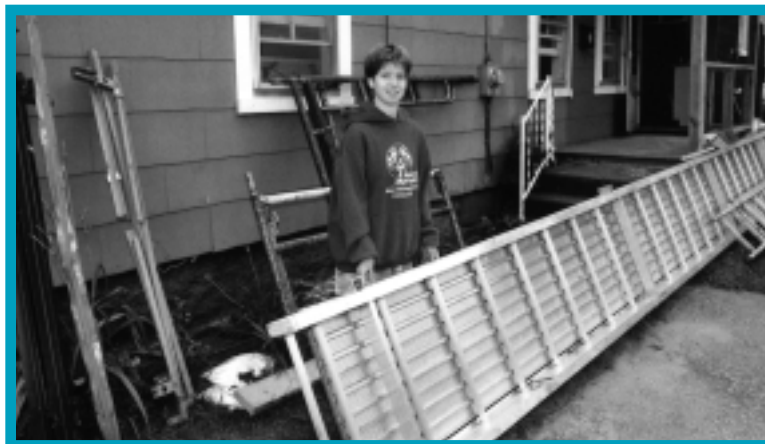
## QUESTIONS

The following list of questions should help you to finalize your preparations for the closing:

- Do I have the funds needed for closing day?**
- Have all of the conditions of the loan offer been met?**
- Have I reviewed the HUD-1 Settlement Statement?**
- Have I obtained all of the documentation I will need at the closing?**
- Have all repairs been taken care of?**
- Have I secured all the appropriate insurance policies?**
- Are my escrow accounts set up?**
- Have I arranged for assistance at the closing?**

## ACTION PLAN

Again, review your action plan. Be sure that all of the tasks on the list have been completed. Develop a new action plan. Take into consideration any new opportunities or obstacles. Ask your planning team members if there is anyone else who should be involved.



## CHECKLIST

- Arrange pre-closing meeting.
- Review previous chapters and action plans.
- Establish necessary escrow accounts.
- Secure property insurance.
- Obtain probate court approvals (if applicable).
- Complete state certifications (if applicable).
- Secure commitment letters.
- Review long-term support plan.
- Set closing date.
- Give written notice to current landlord.
- Complete final house check inspection.
- Decide who to bring to closing.
- Review settlement statement.
- Be sure the seller has completed all agreed-upon repairs.
- Read Chapter Six.

## SUMMARY

The chapter has detailed the basic process of closing on your home purchase. Closing doesn't need to produce anxiety if you are well-prepared and know what to expect. We have described in detail the basic steps to get ready for closing. The closing meeting consists of the explanation and signing of the closing documents, the allocation and payment of closing costs, and receiving the keys to your new home. Following the closing meeting, your obligations, such as repaying the loan and maintaining your property have begun. In Chapter Six, we look at the joys and responsibilities you can expect as a homeowner.

C H A P T E R

6

L I F E   A S   A   H O M E O W N E R



## O V E R V I E W

Congratulations! You have just become a homeowner! You and your planning team have probably been working very hard for many months, or longer, to achieve your goal of owning a home. Take the time to celebrate with friends, family, and others who helped along the way. A housewarming party is a great way to meet your new neighbors and to show off your new home. Enjoy settling in, decorating, and getting familiar with every inch of your house.

After the party, one of the first things to do as you begin to settle in is to read this chapter. As a homeowner, your new responsibilities are to pay back your loan and to maintain the property. Chapter Six, the final chapter, explains how to be successful in your new role. The chapter begins with suggestions to help you settle into your new home, including meeting the neighbors, getting to know your home, safety tips, and defining the roles of those who will offer you assistance. The chapter stresses the importance of making your monthly mortgage payments on time.

In Chapter Six we will review:

- understanding the terms of your loan;**
- how to avoid foreclosure;**
- maintaining your new home;**
- your long-term maintenance plan;**
- creating and maintaining a budget; and**
- how to get help.**

This section will also discuss:

- what it means if your loan is transferred;**
- where to send your mortgage payment; and**
- tips on reducing energy costs.**

A checklist and summary at the end of the chapter contain helpful reminders on how to be a successful homeowner.

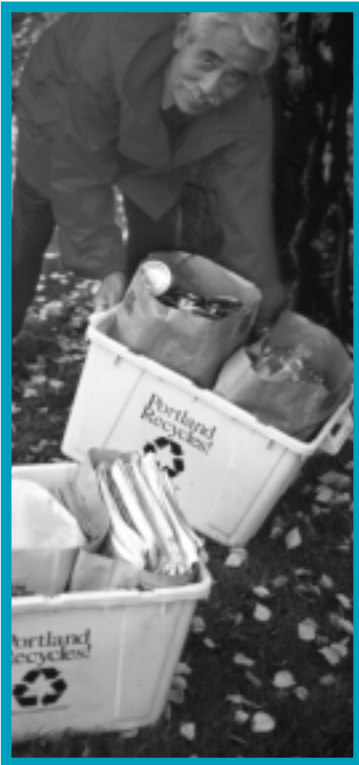


## A HOMEOWNER AT LAST

Buying a home is a huge undertaking and you deserve credit for your accomplishment, but your work is not finished. Once you move into your new home, you must be sure you receive the assistance you need to maintain your house, pay your mortgage, and take care of your personal needs. Hopefully, you have already followed the suggestions in Chapter Two and developed a solid plan for long-term assistance.

## SETTLING IN

You are surely excited and anxious about moving into your new home. If you don't own furniture or other personal belongings, moving may be a simple job. If a few friends, family members, or people from your planning team help out on moving day, it shouldn't be difficult. If you have numerous belongings, you might want to hire professionals to move your things. Moving is a great time to go through your things and donate or throw away anything you don't really need or want. This will make packing easier and will save time trying to find storage space in your new house.



## MEET THE NEIGHBORS

One of your first priorities will be to introduce yourself to your new neighbors. Neighbors can be a great source of information, especially when you're new to a community. Knowing your neighbors and getting involved in your community can be rewarding and fun. Because neighbors tend to look after one another and keep an eye on each other's houses, it is also a way to help protect your home. If you are shy, or unsure about how to introduce yourself, ask for suggestions from your planning team members or the people who provide assistance to you in your home.

## GETTING TO KNOW YOUR NEW HOME

If you had been a renter, lived with family, or lived in an agency-controlled situation, there were probably many things that you did not need to be concerned about. As a homeowner, you are now responsible for handling a variety of details related to the house itself. You need to learn about the major systems of the house to do routine maintenance and to handle various emergencies. If you need assistance, you may want to designate one person to see that these things are managed correctly.

Hopefully, you were able to arrange a house tour with the previous owner (as discussed in Chapter Five) and you are well acquainted with your new home. You and each of the people who provide you with assistance must know the location of the following:

- main cutoff valves for water and gas;**
- emergency switch for the furnace or burner;**
- hot water heater thermostat;**
- main electrical switch; and,**
- fuse box or circuit breaker box.**

A good way to stay organized is to set up a diary, or file, for important information about your house. Place any warranties, owner's manuals, and other documents you obtained from the previous owner in your house file. In this file, store the notes you took on your house tour with the seller. Any time you do repairs, routine maintenance, or improvements, keep track of them in the diary or file.

## SAFETY TIPS AND PLANNING

Take the following steps to ensure that you are as safe as possible in your new home.

**Assistance.** By now, you have developed a solid plan for receiving the assistance you need in your home. Before you move in, it is a good idea to review the plan with everyone who will be involved in providing assistance. In addition to your regularly scheduled assistance, it is critical to have a back-up plan to take care of emergency situations. Who will provide assistance if the regular person is ill or unable to come? What if you are ill and need additional assistance? How will you handle unexpected transportation needs? Where will you go if you must leave your home temporarily? Are there neighbors who might be willing to be "on-call" for back-up or drop-in assistance?

**Emergency numbers.** Make a list of emergency telephone numbers. Include the nearest hospital, the local police department, and the fire station closest to your home on your list. If you have neighbors, family, friends, or others you can call in an emergency, add their names and telephone numbers to the list. In many areas, "911" is the emergency number that connects you to the police, fire department, and ambulance.

In addition to these emergency numbers, you need a list of numbers for the people you call frequently, including people who provide you with assistance. Both of these lists should be kept near your telephone. If you have more than one telephone, be sure to have a phone list near each telephone. Having a telephone that allows you to pre-program numbers will make it possible for you to call an emergency number by using just one or two numbers or by pressing one button.

**Preventing theft.** The previous owner may have given out duplicate house keys, and you have no way of knowing who can unlock your doors. On the day you move in, replace all of the door locks with new ones (the deadbolt variety are the best) and have new keys made. Lock your windows and doors when you are not at home. Never leave valuables outside overnight or unattended during the day.

If you plan to be away for a few days or more, ask a neighbor to keep an eye on your house. You may want to offer to do the same for the neighbor if he or she plans to be away at some time. If you are away overnight, you might consider installing a timer so that an outside light comes on automatically when it gets dark. This will discourage theft because a potential robber will want to avoid being seen, and if lights are on, it will appear as if you are at home. You may want to ask a neighbor to collect your mail and newspapers every day. A pile of newspapers on your step or an overflowing mailbox suggests that a house is unoccupied. Or, if you prefer,

the post office will hold your mail at no charge until you return, and the newspaper will stop delivery for the time you are away.

**Fire safety.** Many accidents may be prevented by eliminating fire hazards and installing smoke detectors and fire extinguishers in your home.

**Smoke detectors.** A smoke detector should be installed outside each bedroom door and in or near the living room. Replace the batteries and test your detectors at least twice a year to be sure they are working properly. Many people do this in the spring and the fall when it is time to change the clocks for daylight savings time.

**Fire extinguishers.** You should own at least two fire extinguishers, and more if you have a larger house. Hang them so they can be reached easily from the kitchen and from the main living area. In a bigger house, place additional extinguishers in the garage, the basement, and on each floor.

**Fire-prevention inspection tour.** In many communities, a fire inspector will come to your home, at no charge, to point out possible fire hazards such as frayed electrical cords, an overloaded electrical system, flammable materials stored too close to a heat source, and clutter in the basement or attic. The local fire department may also have videos and written materials on fire prevention. If tours are not offered, do your own inspection with the help of these materials. You might consider hiring an electrician to do an inspection with you, since many home fires are electrical.

**Evacuation plan.** Be sure to have a plan for what to do in case of a fire. Make sure that people who provide you with assistance know the safest and fastest way to get out of the house if there is a fire. If you need physical assistance to get out of the house, be sure that the local fire department is aware of your mobility issues and that your neighbors know that you need extra help. Your evacuation plan needs to include where you and anyone else who may be in the house will meet. For example, you might decide that everyone will meet at the sidewalk in front of the house or in your next door neighbor's front yard.

**Storing valuables.** All of your important papers should be stored in a safe place. You may want to use a fireproof box, small safe, or rent a safe deposit box at your bank. Your mortgage documents and the deed to your house are papers you might want to store in your safe place.



## INSURANCE COVERAGE

Having insurance is an essential way of protecting your home. Make sure your policies are complete and up-to-date. Review all of your existing insurance policies with your insurance agent to be sure you have the right amount of coverage and that you are paying the lowest possible price.

**Property insurance.** By now, you have purchased property insurance, since this is required by lenders before closing. In some areas of the country, you may be required to purchase flood insurance, as well. Many property insurance policies include an inflation "rider." This rider, or addition to your policy, automatically increases the amount of money you will be paid to repair or replace your home as its value increases. If your policy does

not have this rider, make sure that the replacement value specified by your policy keeps up with the current market value of your house. Otherwise you may not receive all of the money you will need to repair damage to your home. If you purchased a condo or town house, the association may insure the structure. If this is the case, you will only need to purchase insurance on your furnishings and other belongings.

**Mortgage life insurance.** If you die before you pay off your mortgage, this type of insurance will pay the lender any money that you still owe. If you had a life insurance policy before you purchased your home, it may provide such coverage. Be sure to check before you buy a separate policy. Mortgage life insurance can be expensive and may not make sense for a single homeowner with no dependents.

## DEFINING ROLES FOR PEOPLE PROVIDING ASSISTANCE IN YOUR NEW HOME

In the past, you may have lived in a place that was owned and controlled by other people. As a homeowner, you are likely to have much more responsibility and decision-making power than you did in other places you have lived. There will probably be some differences in the way you receive assistance. It is possible that you and the people who provide you with assistance will interact differently (especially if they provided assistance to you in another situation). You will need to define the roles of each of the people assisting you, and spell out how they will work together as a team.

It is crucial that you and the people who assist you have a frequent and practical method of communicating with one another. Whether important news needs to be passed along or you have a concern about how someone is completing a specific task, there must be a reliable means of communicating. In the beginning, it may be a good idea to write down the roles and responsibilities of each person who provides assistance and to have regular weekly or monthly meetings. Perhaps the three most important issues related to your assistance are scheduling, boundaries, and privacy. The following tips should help to ensure that things go more smoothly.

### SCHEDULES

Arranging for assistance when and where you need it can be a difficult chore, particularly if you have a hectic schedule. It may be helpful to choose one person to help coordinate the schedule for all of the people who will assist you.

### BOUNDARIES

One of the first things you need to do in your new home is to meet with everyone who will be there on a regular basis and discuss boundaries. Be sure that you clearly state your expectations about your space. You may want to write down your expectations about how the people who provide assistance should behave in your

home. The following are some of the things for you to think about as you set up your ground rules. Will the people who provide assistance to me:

**answer my phone,  
answer the door,  
make coffee without asking,  
clean my house,  
eat anything from my refrigerator,  
schedule appointments for me,  
use my shower,  
come into my bedroom,  
have meetings at my house,  
smoke in my home,  
enter without knocking,  
have spare keys,  
bring their pets or children to my house?**

## PRIVACY

Most likely, you have lived with other people and haven't had much opportunity to be alone. Now that you are living in your own place, you have more opportunities for privacy. Finding the means to get the assistance you need while having privacy may be a challenge, but can be done with a little creativity.



If you have never spent much time alone and this is something that you would like to do, first determine when assistance is needed. Is it necessary to have someone sleeping in your house at night? If so, could this person be a roommate who agrees to be there in case of an emergency? Are there times during the day when you could safely be alone?

If you don't want someone in your house all of the time, but need to have quick access to assistance, there are a number of ways to accomplish this. One person could carry a pager, or beeper, that you could activate by calling a number on the telephone. A neighbor might agree to be available in an emergency during certain hours of the day or night. A neighbor or friend may be willing to check in with you by phone or in person at mealtimes, when you need help taking medicine, or when you need help moving from one place to another.

An inexpensive monitor, that you can purchase at your local hardware store or department store, may be used to allow a neighbor to hear you during the night without being in your house. There are a number of other electronic devices that automatically call for the police, fire department, hospital, or ambulance when you push a button or dial a telephone number. If you are interested in learning more about these devices, talk with a local independent living center or the agency that provides assistance to you.

## MEETING YOUR OBLIGATIONS AS A BORROWER

The importance of making your mortgage payment on time each month cannot be stressed enough. Buying a home is probably the biggest investment you'll ever make and you'll want to successfully manage this obligation. Making payments late may result in late charges and will damage your credit rating. If you do not make your payments, the consequences will be even more serious. The lender may take action to foreclose, evict you, and sell your home. You can guarantee that this will never happen by always making your payments on time. If you do have a problem that could keep you from making your payments, you need to immediately discuss your situation with your lender. You may be able to work together to keep your house and get back on the right track.

## UNDERSTANDING THE TERMS OF YOUR LOAN

At the closing or settlement, you signed both the note (the legal document which promises the lender that you will repay the loan) and the mortgage (the legal document that gives the lender a right to take back your property if you do not repay the mortgage or keep the other promises in the mortgage). Be sure that you have a clear understanding of all the responsibilities you agreed to when you signed these documents. Refer back to Chapter Five for more detailed information.

### PAYMENT TERMS

Make sure you know when your payments are due (usually the first day of the month) and where to send them. You will receive a payment book from the lender to help keep track of your payments. Some lenders send a bill each month instead. If you do not receive either one, contact your lender; don't wait until your mortgage payment is late.

Your mortgage note will specify a "grace period" for late payments. A grace period is the length of time that the lender will allow you to be late with your monthly payment without charging a penalty. If your payment is due on the first of the month, usually the 15th of the month is the latest acceptable date for the lender to RECEIVE your payment. (Mailing the check on the date due is NOT satisfactory.) Making payments late will give you a bad payment record and could hurt your chances of getting an extension of time on a payment in case of a real emergency. As we discussed earlier, if you are worried about making payments on time, an option is to have your mortgage payment automatically taken from your checking account each month. This is not always the best option because, if the funds are not available in your account, you may have to pay a penalty.

Another problem may be that you receive two benefit checks on two different days each month, usually the 1st and the 15th. If this is the case, ask the lender if the due date for your payment could be on the 17th or 18th of the month. In some cases, it might be possible for you to split your mortgage payment and pay it twice a month.

If you have extra resources in a particular month, you may consider adding additional money to your mortgage payment. Check with your lender and ask if there are any penalties for prepayments. Each month, most of your mortgage payment goes toward the interest on your loan. The amount that is greater than your regular monthly payment will go directly toward the principal you owe. This can shorten the life of your loan. For example, if you paid an extra \$50 per month, you may reduce your loan term from 30 to 25 years. Ask your lender to calculate the exact reduction of your loan term that will be experienced if you put extra resources toward the principle of your loan.

### ARM TERMS

If you have an adjustable-rate mortgage or ARM, the amount of your mortgage payments may change in the future. Your legal documents will spell out how often payment and interest rate changes may occur and under what circumstances. If you have questions about changes in your interest rate or payment, contact your lender right away and ask to have the terms of your ARM explained.

### OTHER TERMS

If you decide to sell your house, can you pay off your loan without being charged a prepayment penalty? Could the buyer assume (take over) your mortgage from the lender? Your mortgage documents should answer these questions. If you're unsure or have further questions, contact your lender.

### TRANSFER OF SERVICING

It is not uncommon for a lender to transfer the responsibility of servicing (collecting and processing your mortgage payments) to another lender or servicer at a future date. One of the documents you signed at the closing allows the lender to transfer the servicing of your loan.

If your mortgage servicing is transferred, the terms of your mortgage will stay the same. If a transfer occurs, your lender will send you a letter stating that your loan servicing has been transferred, when the transfer begins, and where to send future payments. Never send your mortgage payment to a third party unless your lender notifies you that your mortgage servicing has been transferred. If you have any doubt, contact your lender to verify the transfer.

### AVOIDING FORECLOSURE

Your monthly mortgage payment needs to be your top financial priority. If you fall behind on your monthly mortgage payments, the lender has the legal right to foreclose on the loan. If this happens, the lender may force you to move out and then sell your home to pay off the loan. You risk losing your home, all of the money you have spent to date (including the down payment, closing costs, and all the monthly

payments you have made), and your good credit rating. If the lender begins foreclosure proceedings, any related legal fees may be added to the amount you owe on your mortgage. If the value of your property is less than when you bought it, the foreclosure sale may not bring a high enough price to cover what you owe the lender. In this situation, the lender might have the right to make you pay the difference between what you owe and what the house sells for.

### PLANNING AHEAD

The best way to avoid having a financial problem is to plan ahead. If you have established an escrow account for long-term maintenance and repairs, you may avoid a hardship when unexpected repairs are needed. If you developed a budget to help pay your bills, stick to it! If you want to make an improvement or purchase an expensive item for your home, set aside whatever you can afford each month until you have saved enough to pay for the item you want.

### IF YOU CANNOT MAKE YOUR MONTHLY PAYMENTS

If you begin to have trouble making your monthly mortgage payments, you have a serious problem! Missing even one payment may be very hard to make up. If you find yourself in this situation, you need to get help right away. First, get in touch with your lender (or loan servicer) immediately and explain your situation. If you delay calling in hopes that your financial situation will get better, you risk losing your home!

When you call the lender (or the servicer to whom you send your monthly payments), explain that your payment is late and explain why. Perhaps you were laid off from your job, you have been sick and are temporarily unable to work, or there has been a mix-up which has caused you to lose your benefits. Write down the name of the person you talk with. Write a follow-up letter that includes the information you verbally gave to that person on the phone or in person so that your explanation of the problem will be included in your loan file. If you can't reach your lender by phone, write a letter explaining the situation and ask the lender to contact you. Your letter to the lender should include the following information:

**your name;**  
**loan number;**  
**property address;**  
**your daytime and evening telephone numbers; and**  
**brief explanation of why you are unable to make the mortgage payment.**

As long as your lender believes you sincerely want to make your monthly mortgage payments and keep your home, they will be willing to work with you. The lender is more apt to want to help if your payment history is good and if you contact them right away, rather than waiting for them to contact you.

Think about all possible resources. Discuss the situation with your planning team and others who provide assistance. Is there a relative, friend, or an agency who might be able to help? Can you reduce your other expenses, at least for a while? Can you work overtime or get a second part-time job?

## WORKING WITH A CREDIT COUNSELOR

If the lender thinks there is a good chance that you can bring your payments up to date, they may ask you to contact a credit counselor. The counselor may either work for the lender or for an independent credit counseling agency. A non-profit housing assistance agency may also be able to help. Credit counselors are trained to give advice about how to manage your money. They are skilled at helping homeowners who are having trouble paying their bills. They can help you develop and follow a realistic household budget and set up a repayment plan that will allow you to get back on track with your mortgage payments.

You may wish to locate a housing counseling agency on your own. To find one in your community, call 1-800-388-2227 or contact Fannie Mae HomePath Services at 1-800-7FANNIE (or 1-800-732-6443).

Depending on your situation, the lender might offer you some type of temporary or permanent assistance. Sometimes lenders agree to reduce or postpone your monthly payments for a few months. After the specified time period, you resume your regular payments and you will be required to pay an additional amount each month to make up for the missed payments. In extreme cases, the lender may even be willing to change the terms of your mortgage (for example, by lowering the interest rate, changing an adjustable-rate mortgage to a fixed rate, or increasing the number of years you have to repay the loan) in order to reduce your monthly payments. Working with a counselor and lender may help you meet your mortgage obligations and responsibilities.

## BEWARE OF DISHONEST "BUYERS"

Unfortunately, there are some individuals and companies that will try to take advantage of homeowners who have financial difficulties. Many homeowners have been cheated by individuals who say they can help, but actually cause the homeowner to lose everything. These "buyers" sometimes offer "distressed homeowner" programs for people who can no longer make their monthly mortgage payments. There are a number of different approaches that might look enticing, but if you decide that the only way out of your financial difficulty is to sell the house, talk with and seek advice from your lender, your credit counselor, your planning team, or a real estate attorney before signing any form or sales agreement.

## MAINTAINING YOUR HOME

A very important part of owning a home is maintaining it. Whenever you can, it makes sense to prevent problems rather than wait for them to occur. Cleaning and servicing of major appliances may help make them last longer. You also need to take care of your yard. This may involve cleaning up around the trash containers, mowing the lawn, watering plants, raking leaves, and shoveling the steps, driveway, and sidewalk.

## SEASONAL INSPECTION CHECKLIST

Create a seasonal checklist, and mark your calendar so you'll remember to use the checklist. Do an inspection in the spring and another in the fall every year. Once you have the routine in place, it won't take long and it will be well worth the trouble. Worksheet 6 on page 158, "Seasonal Home Maintenance Schedule," will help to get you started. You may tailor the checklist to suit your own home's systems and needs. Review the home inspection report you received before you bought the house. It may remind you of areas that need specific attention.

## KEEPING YOUR ENERGY BILLS AT A MINIMUM

Many people are shocked when they realize the high cost of utilities. When you see your first heating or air conditioning bill, you will want to save energy, which means saving money, wherever you can. There are many simple steps you may take to get the most for the money you spend on electricity, gas, and oil. The following areas are easy to check:

- Does your house have enough insulation?**
- Do you have adequate storm windows all around?**
- Do you need more weather stripping and caulking around your doors and windows?**
- Is there enough air circulation in your attic?**
- Is the room temperature regulated by a timer so that you are only using the heat you need?**

Your local electric company, or state utility agency, offers energy-saving tips. Most electric companies will do a free inspection of your home to help find ways to reduce the amount of electricity you use. Some companies or agencies will provide free weatherization services to low income homeowners. This includes insulation to keep out drafts, sealing cracks around doors and windows, and installing plastic over drafty windows. If you install an energy-efficient heating or cooling system, you might receive a tax rebate from the federal government. Your utility company may also offer a discount if you do this. You must continue to monitor your use of electricity in order to save money. Your spring and fall inspection tours might give you ideas for home maintenance plans that can reduce your energy bills each year.



## DO-IT-YOURSELF REPAIRS

If you attend to a problem while it is relatively small, you will save yourself time, money, and distress later. You don't need expensive tools or a lot of experience to do basic home repairs. Ask the people who provide assistance to you to help you take care of minor repairs. You may want to take advantage of a home repair course at your local community college. Courses may also be available at local hardware stores or building suppliers. Your public library should have basic home maintenance books or videos on maintenance and repairs.

Here is a list of a few basic tools you'll want to have on hand:



**hammer and an assortment of nails**  
**straight-blade and Phillips screwdriver**  
**(or a combination screwdriver with interchangeable tips)**  
**slip-joint pliers and needle nose pliers**  
**hand saw**  
**wall scraper**  
**tape measure**  
**flashlight**  
**plunger (one that works for both sinks and toilets)**  
**work gloves**  
**ladder**  
**bucket**  
**stiff brush**

## MAJOR REPAIRS AND HOME IMPROVEMENTS

### USING YOUR NETWORK OF ASSISTANCE

As your home requires repairs, routine maintenance, or renovations, talk with all of the people who provide assistance to you, the members of your planning team, friends, family, neighbors, and anyone else who may be able to offer hands-on skills or advice. Perhaps a co-worker or a member of your place of worship would be willing to help paint, build a deck, or install an air conditioner. If an agency provides you with assistance, that agency may be willing to offer financial assistance to complete repairs.

### HIRING A CONTRACTOR



Doing your own repairs and maintenance is great whenever possible, but sooner or later, you'll probably need to hire an expert. You may have a major repair that needs to be done, or you may have saved enough money to complete a project you have been planning for. You may want to consider postponing any major renovations for at least a year after you move in to make sure that you can comfortably afford your mortgage payments and routine maintenance expenses.

The following tips may help you get a project done right for a reasonable price.

1. Interview several contractors. Choose a contractor who is really listening to what you want and need. Cost is important, but it is also critical that you get what you want. If a contractor comes to your door trying to sell you his or her services, be suspicious. Reliable contractors do not usually operate this way.

2. Ask for references and check them. Ask friends, neighbors, and planning team members to recommend companies or individuals they have hired. Many counties and cities require home improvement contractors to obtain a license. If the repair job is small or you're on a budget, you may get faster service and a better price from an individual than from a big company. Ask whether the contractor is "bonded" and carries workmen's compensation insurance for his or her employees. Being bonded means that contractors have agreed to meet the legal requirements for their profession and will pay a penalty if they fail to do so. Much like a product guarantee, this gives you, the customer, added protection if you are unsatisfied with the work.
3. Get cost estimates, and find out whether these are just estimates or a firm bid. A bid is an offer from the contractor that the work will be completed for the stated cost. With an estimate, the contractor has the right to charge more for the work, depending on how long it takes or how complex the job becomes. A contractor may not give a solid bid on an older house. In an older home, replacement parts or materials may be harder to find and more expensive. Also, small jobs may become larger because the contractor may uncover more extensive problems once he or she gets started on the work.
4. For your protection, always make sure you have a written contract with the contractor. The contract should specify exactly what work is to be performed and when payments are due. Never pay for the entire job until after the work is completed to your satisfaction. If you still owe the contractor money, you have a better chance of getting the job finished properly.
5. Most towns require you to obtain a building permit for jobs of a certain size or cost. Check with your city hall for this information. If a building permit is required, will the contractor obtain the permit or is this your responsibility? The work may need to be inspected by the local code enforcement officer who is responsible for seeing that all construction meets safety and other requirements in your area.

### BUDGETING FOR REPAIRS

As we have discussed, setting up an account for repairs will help to avoid a crisis situation. If you (or the agency assisting you) deposit money into a long-term maintenance account each month, you will have the cash on hand when a repair is needed. Money for repairs should be included in your budget plan that will be discussed later in this chapter.



## FINANCING MAJOR REPAIRS AND HOME IMPROVEMENTS

No matter how well you plan or how prepared you are, there may be a time when you need a costly emergency repair. There may be a state or local government program or a non-profit agency in your area that will help you pay for these repairs. There are a number of volunteer organizations and community housing programs that may be able to offer assistance.

Check to see if the item needing repair (for example, the heating system or washing machine) is covered by a warranty. Also check your property insurance policy (or call your insurance agent). Some repairs (such as water damage) may be covered by your policy. As we mentioned earlier, purchasing long-term warranties for major appliances and your heating system could save money in the long run.

Another method to pay for an unexpected repair is to obtain a home improvement loan or a personal loan from a bank or a credit union. Fannie Mae has introduced the HomeStyle® second mortgage. With a HomeStyle second mortgage, you may borrow funds to repair, remodel, or enlarge your home. Another possibility is the FHA Title I Home Improvement Loan. Also, a contractor may be willing to provide financing for a major project. Be sure you understand the terms of the loan and how it is to be repaid. Shop around for the lowest interest rate. Also, find out whether monthly payments are required, or whether you must pay back the loan all at once.

## HOUSEHOLD BUDGETING

As a new homeowner, there are probably some things you really want to buy. Maybe you would like a new lawn mower, an air conditioner, or some new furniture. Now you must think like a homeowner. Before you buy an expensive item, review your options. Talk with your planning team about other alternatives, such as renting or borrowing a piece of equipment. Garage sales are often a good place to find second-hand items. We have stressed that your mortgage payments should be your top financial priority. But you also can't afford to get behind on your utility bills, or you risk having your water, electricity, or gas turned off. If you have a car payment, this is another critical obligation. Let's spend some time looking at how to prioritize your expenses and manage your household budget.

## CREATING A BUDGET

Creating a household budget is the first step to managing your money. A budget provides an easy way to compare your income to your expenses on a monthly basis. The process of developing a budget will help you to set your goals and priorities and keep track of how you spend your money. More importantly, a budget will help identify poor spending habits before they cause problems. When you looked at your income and expenses in Chapter One (see Budget Worksheet on page 18), you completed much of the work needed to develop your budget.

You might find it helpful to use a calendar that shows each month of the year. Write down all of your monthly expenses (mortgage, utilities, car payments, etc.) on the dates they are due. Write down expenses that are due quarterly or annually as well, such as property taxes, property insurance, and car insurance and registration. Make sure that you have set aside enough money to cover all of these expenses and are not caught unprepared.

Ask for help from your planning team to assist you in creating a budget. There are four basic steps to follow as you develop and manage your budget: (1) determine your total net income; (2) determine your total monthly expenses; (3) compare your total monthly expenses to your monthly net income; and (4) establish goals.

### STEP 1: DETERMINE YOUR TOTAL NET INCOME

For budget purposes, you need to determine the total amount of money you receive each month. This includes your benefits, any take-home or net pay (net pay is the amount of money you actually have after you pay for taxes and any other deductions, such as medical insurance), as well as any other regular income that you receive.

### STEP 2: DETERMINE YOUR TOTAL MONTHLY EXPENSES

Review the expense figures you wrote down in your Budget Worksheet on page 18. Consider each of the following budget areas as you make your way through this process.

**Housing expenses.** Update the housing expenses you wrote down in your Budget Worksheet on page 18 to include your actual mortgage payments (and property taxes and property insurance if you pay these directly). Also, include your average monthly utility costs (gas, electricity, water and sewage, trash collection, cable television, and telephone) and homeowner's association or condo fees, if you have these expenses.

Sign up for your gas and electric companies' "budget" or "average payment" plan. The company determines an estimated cost per year based on the past history of gas or electric use in your home. This figure is divided by 12, and that amount will be your monthly payment. No matter how much energy you actually use in a given month, your monthly bill remains the same all year long. Once a year, the company will adjust your monthly payment up or down to reflect your actual usage. Paying a set amount each month helps with budgeting this expense since it spreads the high cost of winter heating throughout the year. It is still important to conserve your use of electricity and fuel. If you use more electricity or fuel than the original estimate, you will have to pay a large adjustment fee at the end of the year.

**Home maintenance allowance.** As we have discussed, you need to budget for regular home maintenance and emergency repairs. Some financial advisors suggest setting aside one percent of the purchase price of the house for annual maintenance and repairs.

The amount you budget should be appropriate for your personal situation. Your maintenance costs may be higher if you have an older house with the original plumbing, wiring, furnace, and roof. You may have received a commitment that an agency will provide a certain amount to help cover these costs. If you have an escrow account for long-term maintenance, include this figure in your allowance.

**Non-housing expenses.** Now look at the non-housing expenses you listed in your Budget Worksheet on page 18. For budget purposes, don't include any expenses (such as income taxes and health insurance) that are already deducted from your paycheck. Do include any debt payments you wrote down in the worksheet.

**Credit card debt.** If you have credit card debt, these monthly payments must be included as a budgeted expense. While most consumer debt (such as a car loan) must be paid off in regular monthly payments, credit card companies usually require you to make only a minimum payment each month. Even though it might be tempting to budget only this minimum amount, that would be a serious mistake. If you pay only the minimum required payment, you are actually only paying the interest charges and not the principal, or the amount you originally charged on the credit card. It can take years to pay off even a small credit card balance if you pay only the minimum monthly payment. Credit card companies often increase their interest rates which may cause your balance to increase, thus increasing your debt.

Because the interest rate is so high, you should pay off your credit card bills as quickly as possible. Make a plan for paying off your existing credit card debt and include this as a separate monthly expense. Establish the habit of using only one credit card, and pay for all new purchases when you are billed for them each month.

If you are going to have credit cards, choose them wisely. Store-issued credit cards usually have higher interest rates than bank-issued cards (such as VISA or Mastercard). If you have a major credit card, you can use it everywhere. Compare the annual percentage rate (APR), the finance charge, the annual fee (if any), your credit limit, the grace period (the number of days you may be late with a payment and not be charged a penalty), and the minimum monthly payment. As a new homeowner, you will receive offers from credit card companies. These companies assume that since you were approved for a mortgage, you must have an excellent credit history. They may send you a credit card in the mail and tell you that you have been approved to make purchases with it. These "pre-approved" credit cards do not have the usual application requirements.

**Cash purchases.** Record your major fixed expenses, as well as any unusual expenses that you pay for by check or credit card. Your cash purchases also need to be accounted for and put into the proper budget category. It may be harder to keep track of your cash expenses, such as eating out, buying a newspaper or magazine, or other personal expenses. If you aren't sure how much you spend in cash each month, start out with your best guess and estimate this expense. For six months, keep all of your receipts for cash payments. You can then adjust your budget to show your actual monthly cash expenses.

Automated teller machines (ATMs) are very convenient because they allow you to withdraw cash from your bank account 24 hours a day. ATMs may be dangerous, though, because having easy access to cash may make it harder to resist buying something on impulse. If you don't have cash in your pocket, you may take more time to think about whether you need, or can afford, an item. Impulse purchases and spending (a candy bar, a new shirt, or a specialty coffee) will really add up! In addition, many banks now charge withdrawal fees when you use ATMs. In some cases, you may be charged twice—once by your own bank and once by the bank operating the ATM machine.

### STEP 3: COMPARE YOUR TOTAL MONTHLY EXPENSES TO YOUR MONTHLY NET INCOME

If your expenses are more than your net income, you are spending more than you can afford. You can't continue this practice for too long before you will face a financial crisis. If your net income exceeds your budgeted expenses, and you find yourself running out of money before the end of each pay period, you need to look more closely at your budget to see the expenses you left out. If your net income covers all of your total monthly expenses, you may skip ahead to step four.

What can you do if you need to cut back on your spending? In Chapter One, we talked about the difference between fixed expenses (those that cannot be changed, such as your mortgage, utilities, and insurance premiums) and discretionary expenses (those that you have control over, such as entertainment, eating out, and clothing). If you need to cut back on your spending, look closely at your discretionary expenses. These areas are the easiest places to save money. First, determine the difference between what you WANT and what you NEED. You may want a swimming pool or a hot tub in your backyard, but if your roof is leaking, replacing it is something you need to do. Make one list of your needs, placing them in order of importance, then do the same for your wants. This will help you create a spending plan that will allow you to live within your budget.

Food and clothing are necessary expenses, but the amount you spend on these items is partly discretionary. For example, you might be able to decrease your food budget by taking a lunch to school or work rather than eating out. Or you might decide you don't really need another new pair of shoes. You may wish to take a look at entertainment expenses as well. Do you really need a new CD? Could you rent a movie a couple of times a month rather than going out to the movie theater? Think about whether you really need to subscribe to extra cable TV movie channels. Look for free activities and entertainment in your community.

### STEP 4: ESTABLISH GOALS

If you have enough income to cover all of your expenses, congratulations! It is time for you to establish some goals (perhaps a home improvement project, a new stereo, a car, or a vacation). Think about how much you would need to save each month to achieve one or more goals, and put this money aside in a separate bank account. Make sure you stick to the limits of how much money you can save without having your benefits affected.

## LIVING WITHIN YOUR BUDGET

Creating a budget is a helpful way to understand how you spend your money. But a budget is not useful unless you use it. A budget is not something you can create once and then put aside and forget. You should look at your budget at least once a month to see how you are doing financially. If you continue to spend more than you're bringing in (income), you need to keep looking for ways to cut back expenses. If you're having trouble following your spending plan, don't give up. See what other money management plans might work for you.

One easy method of managing money that works for some people is the "envelope method" of budgeting. Here's how it works. Make an envelope for each major category of expense and write on it the amount you need to set aside every week. If your mortgage is \$600, then you would need to set aside \$150 each week. For an electricity bill of \$60 per month, put \$15 per week in the envelope. For ongoing expenses (such as food and entertainment), write down the amount budgeted for each week. Each week, put money in the individual envelopes according to the amounts shown on each envelope. For quarterly or annual expenses, put the amount needed in a separate account.

When the envelope for discretionary expenses is empty, then you stop spending for that week. For example, if you spent the entire amount set aside for entertainment at the beginning of the week, you will have to find free leisure activities for the rest of that week. If you do run out of cash, don't begin charging for these activities.

*The following budget tips may also be helpful:*



**Be a wise grocery shopper.** Try not to go food shopping when you're hungry. Always use a grocery list so that you only buy items you need. Compare prices of similar products and of the same product in different size packages. Sometimes buying a larger package is less expensive in the long run. Do your food shopping quickly, because the longer you spend in the store, the more money you are likely to spend. Shopping at the same store each week will help you to shop more quickly, because you will know where to find everything you need. Also, using coupons may be a way to reduce your grocery bill, but not always. Remember to compare prices.

**Plan ahead for major purchases rather than making impulsive decisions.** Whenever you charge anything, look carefully at the financing terms. Often the retailers that offer the easiest terms (no payments due for three months!) actually charge the highest rates. Shop around and compare. Try to save up for things you need, rather than charging them. You'll pay less, and, while you are saving, you may decide that you'd rather use the money for something else.

Most people find that credit cards create a temptation to spend money they don't have. Establish the habit of using checks to make purchases and pay bills, rather than using a credit card. Close out all credit accounts you have not used for the last six months.

## GETTING HELP

As always, remember to ask the people who provide assistance to you and your planning team members for help if you run into problems or have questions. Hopefully, there is a group of people in your area who can help find resources for financial or technical assistance with any situation you may encounter. For more information, or for assistance with any homeownership issue, call Fannie Mae HomePath Services Hotline at 1-800-7FANNIE (or 1-800-732-6643).

## CHECKLIST

- Move in.
- Meet your neighbors.
- Become familiar with your house.
- Take all safety precautions.
- Define roles of people who provide assistance.
- Establish schedules.
- Set boundaries.
- Make a list of house rules.
- Review your household budget and revise.
- Understand your loan terms.
- Plan for repairs and maintenance.
- Organize a housewarming party!

## SUMMARY

Although buying a home takes time and hard work, it is one of the most satisfying accomplishments in life. Your home represents security, comfort, and shelter. It is very important to protect your house by following a regular home maintenance program and developing a solid money management plan. If you ever find that you are unable to keep up with your monthly payments, be sure to contact the lender immediately to discuss the situation and try to work out a solution. If you cooperate with the lender, you may be able to avoid the loss of your home. We hope you will enjoy the many benefits of homeownership. **Good luck!**

## WORKSHEET 1

### YOUR HOUSING PRIORITIES

This questionnaire, which was prepared by the National Association of Realtors<sup>®</sup>, can help you (and the real estate sales professional) assess your house-hunting requirements.

<b>Type of home:</b>	Existing	New	
	Ranch	Split-level	
	Two-story	Other	
	Traditional	Contemporary	
<b>Construction:</b>	Brick	Wood siding	
	Cement	Cedar shingles	
	Other		
<b>Lot:</b>	Size	Type	
<b>Rooms, type &amp; no.:</b>	Bedrooms	Bath	
	Dining	Family	
	Basement	Other	
<b>Extras:</b>	Fireplace	Garage	
	Porch	Air-conditioning	
<b>Heat:</b>	Forced air	Radiators	Other
<b>Fuel:</b>	Gas	Oil	Other
<b>Neighborhood:</b>			
<b>Transportation Requirements:</b>			
<b>School Requirements:</b>			
<b>Church:</b>			
<b>Price Range:</b>	\$	to	
<b>Cash down payment:</b>	\$		
<b>Special requirements or preferences:</b>			
<b>Family members:</b>	Adults	Children	
<b>Name:</b>			
<b>Address:</b>			
<b>Telephone:</b>		<b>Date:</b>	



**WORKSHEET 3**

**MORTGAGE TERMS CHECKLIST**

Use this checklist to compare terms of mortgages offered by lenders to find the type of financing most favorable to your situation.

<b>Name of Lender</b>	1.	2.
<b>Name of Contact</b>		
<b>Phone Number</b>	( )	( )
<b>Amount of Mortgage Needed</b>	\$	\$
<b>Item</b>		
<b>Type of mortgage available:</b>		
(Fixed rate, ARM, FHA, VA, other)		
<b>Interest rate</b>		
<b>Points</b>		
<b>APR</b>		
<b>Loan Term (15, 20, 30 years)</b>		
<b>Minimum down payment required:</b>		
Without PMI		
With PMI		
<b>If PMI will be required:</b>		
Upfront cost		
Monthly premiums		
How long required?		
<b>Lock-in:</b>		
Upon application or approval?		
Interest rate and points?		
Written agreement?		
Effective how long?		
Lower lock-in if rates drop?		
<b>Prepayment:</b>		
Is there a penalty?		
Extra payments allowed?		

## WORKSHEET 3 CONTINUED

Name of Lender	1.	2.
<b>Assumable?</b>		
<b>Escrow required?</b>		
For taxes?		
For insurance?		
<b>Loan processing time:</b>		
<b>Closing cost estimates:</b>		
Application/origination fee		
Credit report fee		
Appraisal fee		
Survey fee		
Lender's attorney fee		
Title search/title insurance		
Document preparation fee		
Assumption fee		
<b>Payment schedule:</b>		
Monthly or biweekly		
<b>ARMs only:</b>		
Initial interest rate		
How frequently adjusted?		
Financial index		
Margin		
<b>Rate caps:</b>		
Periodic		
Lifetime		
<b>Payment cap</b>		
(Can negative amortization occur?)		
<b>If convertible:</b>		
When can you convert?		
Fees		
Index used		
Margin used		

**WORKSHEET 4**

**PRE-APPLICATION WORKSHEET**

Complete this form before your appointment with the loan officer.

**Borrower**

Social Security number

**Co-borrower**

Social Security number

**Mailing Address**

Phone ( )

**Property address**

Property contact person

Phone ( )

Real estate broker

Phone ( )

Attorney

Phone ( )

**Employment (Past Two Years)**

List most recent employer first

Name of Employer	Address	Dates Employed	Current or Ending Salary

**Bank Accounts—Savings, Checking, etc.**

Name of Bank	Address	Account Number	Type of Account	Estimated Balance

**Landlords (Past two Years)**

Name of Landlord	Address	Dates You Rented

**WORKSHEET 4 CONTINUED****Credit Cards—Department Stores, Bank, etc.**

Name of Creditor	Address	Account Number	Monthly Payment	Estimated Balance Due

**Loan Information—Car, Student, Etc.**

Name of Lender	Address	Account Number	Monthly Payment	Estimated Balance Due

**Previous Credit References***Paid-off loans & other credit*

Name of Lender	Address	Account Number	Type of Loan	Date Paid

**Remember to bring the following with you:**

- Personal check for application fee
- Purchase and sale agreement
- Copy of real estate listing of home
- Earnest money check (photocopy)
- Payroll stub(s) from employer, W-2 forms for past two years, or profit/loss statement and tax returns for past two years, if self-employed
- Stock/bond photocopies
- Property tax estimate
- Hazard insurance estimate
- Homeowner association fee estimate (if applicable)
- Information on real estate you own
- Canceled checks or money order receipts as evidence of rental, utility, or other payments (if establishing nontraditional credit history)

Prepared by:  
The Vermont Finance Authority

**WORKSHEET 5**

**SETTLEMENT COSTS WORKSHEET**

Use this form to compare costs when shopping for a settlement agent to handle your closing.

Title Charges	Paid from Borrower's Funds at Settlement	Paid from Seller's Funds at Settlement
Settlement or closing fee	\$	\$
Abstract or title search	\$	\$
Title examination	\$	\$
Title insurance binder	\$	\$
Document preparation fee	\$	\$
Notary fees	\$	\$
Attorney's fees	\$	\$
Title insurance:		
Lender's coverage	\$	\$
Owner's coverage	\$	\$

**WORKSHEET 6****SEASONAL HOME MAINTENANCE SCHEDULE****Fall Checklist****Outside**

- Check all weather stripping and caulking around windows and doors; replace or repair as needed.
- Check for cracks and holes in house siding; fill with caulking as necessary.
- Remove window air-conditioners, or put weatherproof covers on them.
- Take down screens (if removable type); clean and store.
- Check storm windows and doors; clean and repair as needed; put back up (if they are removable).
- Drain outside faucets.
- Clean gutters and drain pipes so that leaves won't clog them.
- Check roof for leaks; repair as necessary.
- Check flashing around vents, skylights, and chimneys for leaks.
- Check chimney for damaged chimney caps and loose or missing mortar.
- Check chimney flue; clean obstructions; make sure the damper closes tightly.

**Inside**

- Check insulation wherever possible; replace or add as necessary.
- Have heating system and heat pump serviced; have humidifier checked; change or clean filters on furnace.
- Drain hot water heater and remove sediment from bottom of tank; clean burner surfaces; adjust burners.
- Check all faucets for leaks; replace washers if necessary.
- Check and clean humidifier in accordance with manufacturer's instructions.
- Clean refrigerator coils.

**WORKSHEET 6 CONTINUED****Spring Checklist**

---

**Outside**

- Check all weather stripping and caulking around windows and doors, especially if you have air-conditioning.
- Check outside house for cracked or peeled paint; caulk and repaint as necessary.
- Remove, clean, and store storm windows (if removable).
- Check all door and window screens; patch or replace as needed; put screens up (if removable type).

**Inside**

- Replace filters on air-conditioners.
- Check and clean dryer vent, stove hood, and room fans; change or clean filters on furnace.
- Check seals on refrigerator and freezer; clean refrigerator coils; clean burner surfaces; adjust burners.
- Clean fireplace; leave damper open for improved ventilation if home is not air-conditioned.
- Check basement wall and floors for dampness; if too moist, remedy as appropriate.
- Clean dehumidifier according to the manufacturer's instructions.
- Check for leaky faucets; replace washers as necessary.
- Check attic for proper ventilation; open vents.
- Clean drapes and blinds; repair as needed.

## ADDITIONAL RESOURCES

If you decided to purchase your own home, are in the process of doing so, or concluded that homeownership isn't right for you just now, we hope that this manual has been a helpful tool for you. In addition to the information contained within, there are numerous printed materials available on topics related to homeownership, personal futures planning, community participation, financing, home maintenance and repair, home inspections, self-advocacy, budgeting, and mortgage loans.

There are also a number of organizations available that offer technical assistance in the areas of person-controlled housing and assistance. Many of these groups may be able to help with questions by phone and can serve as valuable resources for people considering the purchase of a home. Some groups have produced helpful publications and offer information via the Internet. You may call them with questions or write to them for lists of their publications. The organizations are listed, followed by a list of publications arranged by topic.

Finally, books that relate to buying a home are available at most public libraries. Ask your librarian to help you find them.

## ORGANIZATIONS

### **ABLEDATA**

**Phone:** 800-227-0216

**Web site:** <http://www.abledata.com/index.htm>

ABLEDATA is a national database of information on assistive technology and rehabilitation equipment available from domestic and international sources. ABLEDATA contains information on more than 23,000 assistive technology products, from white canes to voice output programs. The database contains detailed descriptions of each product including price and company information. The database also contains information on non-commercial prototypes, customized, and one-of-a-kind products, as well as do-it-yourself designs.

### **American Association of University Affiliated Programs**

**8630 Fenton Street, Suite 410**

**Silver Spring, MD 20910**

**Phone:** 301-588-8252

The American Association of University Affiliated Programs is the member association of UAP's nationwide. Contact the association for information on national policy issues and to access the location of the UAP in your state.

**ADAPT**  
**American Disabled for Attendant Programs Today**  
**National Headquarters**  
**P.O. Box 9598**  
**Denver, CO 80209**  
**Phone: 303-333-6698**  
**Web site: <http://www.adapt.org>**

ADAPT promotes federal funding of personal assistance services for people with disabilities and the elderly in an effort to decrease the number of people in nursing homes. There are state and local chapters throughout the country. ADAPT will provide information regarding personal assistance services and funding.

**The Arc of the United States, National Headquarters**  
**500 East Border Street, Suite 300**  
**P.O. Box 1047**  
**Arlington, TX 76004**  
**Toll-free InfoLine: 800-433-5255**  
**Phone: 817-261-6003**  
**TDD: 817-277-0553**  
**E-mail: [thearc@metronet.com](mailto:thearc@metronet.com)**  
**Web site: <http://TheArc.org/welcome.html>**

The Arc is an association that works on national, state, and local levels to promote services, research, and public understanding for individuals with mental retardation. It provides general information, refer inquiries to state and local Arc's throughout the country, and has an extensive publications list.

**AZtech, Inc.**  
**Web site: <http://cosmos.ot.buffalo.edu/aztech.html>**

AZtech is operated by the Rehabilitation Engineering Research Center on Technology Evaluation and Transfer. AZtech, Inc., stands for A to Z assistive technology. The Web site serves as a clearinghouse on information related to assistive technology.

**Center for Cooperative Housing (CCH)**  
**1614 King Street**  
**Alexandria, VA 22314**  
**Phone: 703-549-5201**

The Center for Cooperative Housing assists people to organize cooperative housing efforts. This is the sister organization to the National Association of Housing Cooperatives, which is a membership organization of housing cooperatives.

**The Center for Universal Design**  
**School of Design**  
**North Carolina State University**  
**Box 8613**  
**Raleigh, NC 27695-8613**  
**Phone: 919-515-3082 Voice and TDD**  
**Fax: 919-515-3023**  
**800-647-6777 Info Requests**  
**E-mail: [cud@ncsu.edu](mailto:cud@ncsu.edu)**  
**Web site: <http://www2.ncsu.edu/ncsu/design/cud/>**

The Center for Universal Design is a national center that evaluates, designs, and promotes accessible design in buildings. The Center has a number of publications and educational materials available, and provides information and technical assistance to people with disabilities nationwide.

**CoHousing Network**  
**P.O. Box 2584**  
**Berkeley CA 94702**  
**Phone: 510-486-2656**

The Network provides general information about co-housing. It publishes the Journal of the CoHousing Network and will provide information on subscriptions and sample issues as a part of its informational packet. A subscription includes an annual national list of co-housing contacts, back issues, as well as a resource list of related publications.

**Communitas, Inc.**  
**730 Main Street**  
**Manchester CT 06040**  
**Phone: 860-645-6976**

Communitas, Inc., provides networking, educational materials, conducts seminars and conferences, and spearheads creative projects concerning the full participation of children and adults with disabilities in community life.

**Community Information Exchange**  
**1029 Vermont Avenue, NW, Suite 710**  
**Washington, DC 20005**  
**Phone: 202-628-2981**

This national non-profit organization helps urban and rural communities with in-depth information on strategies and resources for affordable housing and community development. Resources include funding information, case study examples, providers of technical assistance, bibliographic resources, and sample documents.

**Connections for Information and Resources on Community Living (CIRCL)****P.O. Box 1168-881****Studio City, CA 91604****Phone/Fax: 818-752-7484****Web site: <http://www.napanet.net/business/personal/CIRCL/CIRCL.html>**

CIRCL's mission is to create opportunities for building and sharing individual, organizational, and community strengths in supported living. CIRCL creates opportunities through mentoring, developing networks, training, and information dissemination.

**Council of State Administrators of Vocational Rehabilitation****P.O. Box 3776****Washington, DC 20007****Phone: 202-638-4634**

Connects to state agencies established to provide consultation, counseling, professional and educational rehabilitation and training for people with mental and physical disabilities. The agencies are part of state government and generally reside in the state capital. Additional services in some states include residential services, independent living programs, and recreation services. Financial assistance for home accessibility modifications is often dispensed through this agency.

**Department of Biomedical and Human Factors Engineering****College of Engineering and Computer Science****Wright State University****Dayton, Ohio 45435****Phone: 937-775-5044****Web site: <http://www.cs.wright.edu/bhe/rehabengr>**

The Biomedical and Human Factors Engineering at the College of Engineering and Computer Science at Wright State University provides access to information about what rehabilitation engineers do in service delivery. They provide a list of rehabilitation engineers around the United States.

**Eastern Paralyzed Veterans Association****75-20 Astoria Blvd.****Jackson Heights, NY 11370-1177****Phone: 718-803-3782****Fax: 718-803-0414****Web site: <http://www.epva.org> (requires username and password)**

Eastern Paralyzed Veterans Association (EPVA) is an organization dedicated to enhancing the lives of veterans with spinal cord injury or disease by assuring quality health care, promoting research, and advocating for civil rights and independence. It offers programs in administration, advocacy, architecture, assistive technology, benefits, legal affairs, library & information services,

public affairs, research & education, sports & recreation, and wheelchair repair. EPVA's architecture program prepares barrier-free plans for members-government agencies, and local businesses.

**Estate Planning for Persons with Disabilities, Inc.**

**P.O. Box 8129**

**The Woodlands, Texas 77387**

**Phone: 281-364-7211**

**Fax: 281-367-6643**

**Web site: <http://members.aol.com/Stemark/index.html>**

The purpose of Estate Planning for Persons with Disabilities, Inc., is to assist families who have a member with a disability to prepare estate and financial planning. Free information is available on: special needs trusts, guardianship, lifetime budgeting, and government benefits.

**Evan Kemp and Associates**

**9151 Hampton Overlook**

**Capital Heights, MD 20743**

**Phone: 301-324-0118 (voice/TTY)**

**Fax: 301-324-0121**

**Web site: <http://disability.com/index.html>**

Evan Kemp and Associates produces One Step Ahead, a newspaper that provides tips about products, clubs, people, services, and conferences. The newspaper includes information on legal briefs, new products on the market, sports, travel, health, wellness, research, computers, technology, business, employment, and Washington politics.

**Fair Housing Information Clearinghouse**

**P.O. Box 9146**

**McLean, VA 22102**

**Phone: 800-343-3442**

**Fax: 703-821-2098**

The Fair Housing Information Clearinghouse provides educational materials, a newsletter, advertising materials, regulations, reports, and documents on fair housing; information and materials developed under HUD's fair housing programs; and referrals to additional sources of information. The clearinghouse is particularly useful for those seeking fair treatment in obtaining rental housing.

**Fannie Mae**  
**3900 Wisconsin Avenue, NW**  
**Washington, DC 20016**  
**Phone: 800-732-6643**  
**Web sites: <http://www.fanniemae.com> and [www.homepath.com](http://www.homepath.com)**

Fannie Mae is a private, shareholder-owned company that works to ensure that mortgage money is available for people in communities all across America. Fannie Mae does not lend money directly to home buyers, but provides a constant source of mortgage funds by investing in the mortgages lenders create. HomeChoice and other affordable mortgage products for low- and moderate-income households are part of Fannie Mae's Trillion Dollar Commitment, announced in March 1994, to provide \$1 trillion in targeted home lending funds for ten million families by the end of the decade. Contact Fannie Mae toll free for information on many topics related to purchasing a home.

**U.S. Department of Housing and Urban Development (HUD)**  
**Library and Information Services**  
**HUD Building**  
**451 7th St. SW**  
**Washington, DC 20410**  
**Web site: <http://www.hud.gov>**

HUD's homeownership opportunities and home improvement programs are available to individual households through state and local agencies or organizations. HUD also investigates housing-related discrimination complaints filed with their offices. The following numbers will provide general information about HUD programs.

Phone: 202-708-1420. Call to obtain general information on HUD programs, referral to regional HUD offices, a listing of field offices on specific topics, and information on most HUD publications.

Phone: 800-767-4483. The HUD Home Hot Line offers a free brochure with step by step information on how to buy a competitively priced HUD-owned home.

Phone: 800-733-4663. Call to obtain information about the Title 1 Program: the Federal Housing Administration (FHA) mortgage insurance program.

Phone: 800-669-9777. Call to contact the HUD Housing Discrimination Hot Line.

Phone: 202-401-7991. Call to contact the HUD Office on Disability Policy.

**Independent Living Research Utilization (ILRU)**  
**Research & Training Center on Independent Living at**  
**The Institute for Rehabilitation and Research (TIRR)**  
**2323 S. Shepherd, Suite 1000**  
**Houston, TX 77019**  
**Phone: 713-520-0232**  
**TDD: 713-520-5136**  
**Web site: <http://www.bcm.tmc.edu/ilru>**

ILRU was established to improve the management effectiveness in independent living centers (ILC's) throughout the country through research and training. The center provides technical assistance and publications, including The Directory of Independent Living Programs that lists ILC's nationwide. The directory is updated monthly. You may also call to obtain the name and address of the independent living center located near you.

**Independent Living - USA**  
**Web site: <http://www.ilusa.com>**

Independent Living USA is an organization that offers information on the Internet on issues affecting individuals with disabilities. The Web site includes links for health and medicine, advocacy, employment and economic opportunity, and periodicals and magazines.

**Institute for Community Economics**  
**57 School Street**  
**Springfield, MA 01105-1331**  
**Phone: 413-746-8660**

Institute for Community Economics acts as a resource for land trust start-ups and publishes a newsletter. They will provide referrals to nearby land trusts for additional assistance.

**Institute on Community Integration (UAP)**  
**University of Minnesota**  
**102 Pattee Hall**  
**150 Pillsbury Drive, SE**  
**Minneapolis, MN 55455**  
**Phone: 612-624-6300**  
**Fax: 612-624-9344**  
**Web site: <http://www.ici.coled.umn.edu/ici>**

The mission of the Institute on Community Integration is to improve the quality and community orientation of professional services and social supports available to individuals with disabilities and their families. Contact the Institute for technical assistance or to request a publications list.

**Mortgage Bankers Association of America**

**1125 15th Street, NW**

**Washington, DC 20005-2766**

**Phone: 202-861-6500**

**Fax: 202-822-6320**

A membership institution involved in real estate finance, this organization conducts seminars and workshops in specialized areas of mortgage finance. The Association offers over-the-phone help with a variety of home finance questions.

**National Association of Developmental Disabilities Councils**

**Suite 103**

**1234 Massachusetts Avenue, NW**

**Washington, DC 20005**

**Phone: 202-347-1234**

**Fax: 202-347-4023**

and

**The Consortium of Developmental Disabilities Councils**

**2971 Crescent Shore Drive**

**Traverse City, MI 49684**

**Phone: 616-922-2995**

**Fax: 616-922-8161**

The National Association of Developmental Disabilities Councils and the Consortium of Developmental Disabilities Councils are the member associations of the 50 state councils. Contact these associations to learn about council activities nationwide and for the location of your state council.

**National Association of State Directors of Developmental Disabilities Services (NASDDDS)**

**113 Oronoco Street**

**Alexandria, VA 22314**

**Phone: 703-683-4202**

**Fax: 703-684-1395**

The Association furnishes member states with a steady stream of information about the latest developments in congressional legislation, federal regulations, and litigation affecting programs for persons with developmental disabilities. The Association also represents the views of state MR/DD program officials within the halls of Congress and among federal agencies.

**National Council on Disability**  
**Suite 1050**  
**1331 F Street, NW**  
**Washington, DC 20004**  
**Phone: 202-272-2004**  
**Fax : 202-272-2022**  
**TTY: 202-272-2074**  
**Web site: <http://ncd.gov>**

NCD is an independent federal agency that makes recommendations to the President and Congress on issues affecting 54 million Americans with disabilities. NCD is composed of 15 members appointed by the President and confirmed by the U.S. Senate. NCD's overall purpose is to promote policies, programs, practices, and procedures that guarantee equal opportunity for all individuals with disabilities, regardless of the nature or severity of the disability; and to empower individuals with disabilities to achieve economic self-sufficiency, independent living, and inclusion and integration into all aspects of society.

**National Council on Independent Living (NCIL)**  
**Suite 209**  
**1916 Wilson Blvd.**  
**Arlington, VA 22201**  
**Phone: 703-525-3406**  
**TDD: 703-525-3409**  
**Fax: 703-525-3407**  
**E-mail: [ncil@tsbbs02.tnet.com](mailto:ncil@tsbbs02.tnet.com)**

The National Council on Independent Living is the national membership association of centers for independent living and people with disabilities. NCIL's mission is to promote a national advocacy agenda that advances the full integration and participation of persons with disabilities in society. NCIL refers inquiries to local independent living centers and provides information on national policy developments that affect people with disabilities. Contact NCIL for information on IL NET, membership, or to receive a quarterly newsletter.

**National Council of State Housing Finance Agencies**  
**Suite 438**  
**444 North Capitol Street, NW**  
**Washington, DC 20001**  
**Phone: 202-624-7710**

This is a national membership association of State Housing Finance Agencies. Contact this organization to learn about national policy issues or for the location of the housing finance agency in your state.

**National Foundation for Affordable Housing**  
**11200 Rockville Pike**  
**Rockville, MD 20852**  
**Phone: 301-468-3100**

This foundation works to maintain the existing stock of affordable housing and encourages the development of new affordable housing through public/private partnerships.

**National Guardianship Association**  
**1604 North Country Club Road**  
**Tucson, AZ 85716**  
**Phone: 520-881-6561**  
**Fax: 520-325-7925**  
**Web site: <http://www.guardianship.org>**

The National Guardianship Association provides educational, training, and networking opportunities for guardians and surrogates. Its mission is to promote values, standards, and ethics and to ensure a national standard of excellence.

**National Home of Your Own Alliance**  
**c/o Institute on Disability**  
**University of New Hampshire**  
**7 Leavitt Lane, Suite 101**  
**Durham, NH 03824-3522**  
**Toll-free InfoLine: 800-220-8770**  
**Phone: 603-862-4320 Voice and TDD**  
**Fax: 603-862-0555**  
**Web site: <http://alliance.unh.edu> and <http://iod.unh.edu>**

The National Home of Your Own Alliance is a national information and technical assistance center. It is a center that offers direction and information about homeownership and control for people with disabilities. The Alliance is funded by the U.S. Administration on Developmental Disabilities through a cooperative agreement with the Institute on Disability at the University of New Hampshire. The Alliance's toll-free information and referral phone line provides general information about Alliance activities. Technical assistance in accessible and universal design and home modifications is also available through the InfoLine. Call for a complete publications list.

**National Housing Institute (NHI)**  
**439 Main Street**  
**Orange, New Jersey 07050**  
**Phone: 973-678-9060**

The National Housing Institute is a non-profit organization that provides information and resources that contribute to community development and the creation and preservation of decent, affordable housing for all people. Shelterforce is the six times-per-year publication of NHI.

**National Institute on Life Planning for  
Persons with Disabilities****P.O. Box 5093****Twin Falls, ID 83303-5093****Phone: 208-735-8556****Fax: 208-735-8562****Web site: <http://www.sonic.net/nilp>**

The National Institute on Life Planning for Persons with Disabilities is a national organization dedicated to promoting transition, life, and person-centered planning for persons with disabilities and their families. It provides information on transition, life, and person centered planning, government benefits, advocacy, guardianship, aging, housing, and supported employment.

**National Low Income Housing Coalition****1012 14th Street, NW, Suite 610****Washington, DC 20005****Phone: 202-662-1530****Fax: 202-393-1979****Web site: <http://www.nlihc.org>**

The National Low Income Housing Coalition/NLIHC is an organization dedicated to ending America's affordable housing crisis. The NLIHC is committed to educating, organizing, and advocating to ensure decent, affordable housing. NLIHC provides up-to-date information, formulates policy, and educates the public on housing needs and strategies for solutions.

**Neighborhood Reinvestment Corporation (NRC)****607 Boylston Street, 5th Floor****Boston, MA 02116****Phone: 617-450-0410**

The Neighborhood Reinvestment Corporation (NRC) is a national organization with nine regional offices and 180 affiliated organizations in 150 cities around the country, including eight mutual housing associations. The organization promotes affordable housing, and community and economic development. The Boston office of NRC provides information and technical assistance for mutual housing associations around the issues of resident participation, property management, and real estate development. Write or call for information and free publications, as well as lists of for-sale publications.

**New York State Future Care Planning Clearinghouse**  
**Bronx Independent Living Center**  
**3525 Decatur Avenue**  
**Bronx, NY 10467**  
**Phone: 718-652-3469**  
**Fax: 718-515-2844**  
**TTY: 718-515-2803**  
**Web site: <http://www.nysfcpc.org/index.html#TOP>**

The Future Care Planning Clearinghouse provides information regarding future care planning for persons with developmental disabilities and mental illnesses and their families in New York State. The Clearinghouse assists persons with disabilities and their families by providing referrals to persons, organizations, and agencies with expertise in future care planning. They also maintain a library and database with information including: general information on disabilities, financial options, housing, and independent and supported living resources. The Clearinghouse has articles on these and other topics for people with disabilities and their families. Publications are available in Spanish, large print format, audio tape, and/or audio visual versions.

**The President's Committee on Mental Retardation (PCMR)**  
**U.S. Department of Health and Human Services**  
**Administration for Children and Families**  
**Hubert H. Humphrey Bldg., Room 352G**  
**200 Independence Avenue, SW**  
**Washington, DC 20201-0001**  
**Phone: 202-619-0634**  
**Fax: 202-205-9519**  
**E-mail: [pcmr@acf.dhhs.gov](mailto:pcmr@acf.dhhs.gov)**  
**Web site: <http://www.acf.dhhs.gov/programs/pcmr>**

The PCMR acts in an advisory capacity to the President and the Secretary of Health and Human Services on matters relating to programs and services for persons with mental retardation. Since 1974, the Committee has organized national planning, stimulated development of plans, policies, and programs, and advanced the concept of community participation in the field of mental retardation. The Committee conducts forums and has numerous publications that address the field of mental retardation including the needs, interests, concerns, and quality of life experienced by citizens with mental retardation. Request PCMR's extensive publications list.

**Research and Training Center on Community Integration  
Center on Human Policy  
Syracuse University  
805 S. Crouse Ave, Room 101  
Syracuse NY 13244-2280  
Phone: 315-443-3851**

The Center on Human Policy at Syracuse University, through its Research and Training Center on Community Integration, distributes a variety of reports and resources on the integration of people with severe disabilities into community life. Call or write for a complete listing of their publications.

**Rural Housing and Community Development Service (RHCDS)  
(formerly, the Farmer's Home Administration)  
U.S. Department of Agriculture  
14th and Independence Avenue, SW  
Washington, DC 20250  
Phone: 202-720-4323**

RHCDS offers financial assistance to apartment dwellers and homeowners in rural areas. Specific housing programs include the Rural Rental Housing Program and Rural Housing Preservation Grants Program. The RHCDS has regional and local offices that serve all fifty states, DC, and Puerto Rico.

**Self-Determination Project  
The Concord Center  
10 Ferry Street  
Concord, NH 03301  
Phone: 603-228-0602  
Fax: 603-228-0615  
Web site: <http://iod.unh.edu/projects/rwj.htm>**

The Robert Wood Johnson Foundation's National Program on Self-Determination for Persons with Developmental Disabilities provides funds to 19 states to carry out self-determination activities. The program office is part of the Institute on Disability at the University of New Hampshire. The office makes available financial resources, technical assistance, and training support in self-determination. Several monographs, a video, an introduction to self-determination, and a National Public Radio broadcast are available.

**Social Security Administration (SSA)****6401 Security Boulevard****Baltimore, MD 21235****Toll-free: 800-772-1213 (general information and publications)****Toll-free TTY: 800-325-0778****Web site: <http://www.ssa.gov>**

SSA administers and directs all social security benefits programs including Supplemental Security Income, that provides social security benefits for the elderly and people with disabilities (SSI), and Social Security Disability Insurance (SSDI). The PASS and IWRE programs may help individuals who want to own and control their own home. The toll-free phone number allows individuals to order publications covering numerous programs. The toll-free phone number can also refer inquiries to the ten regional Social Security Administration offices, as well as local offices located in major cities throughout the country.

**TASH****29 West Susquehanna Avenue, Suite 210****Baltimore, MD 21204****Phone: 410-828-8274****TDD: 410-828-1306****Fax: 410-828-6706****Web site: <http://www.tash.org/tashhome.htm>**

A membership organization of people with disabilities, families, friends, professionals, and service providers that seeks to ensure an autonomous and dignified lifestyle for all people with severe disabilities. TASH provides information and referral services. They provide referrals to regional and local TASH chapters throughout the country.

**United Cerebral Palsy Associations (UCPA)****1522 K Street, NW, Suite 1112****Washington, DC 20005****Toll-free InfoLine: 800-872-5827****Phone: 202-842-1266****Web site: <http://www.ucpa.org>**

UCPA has a national network of over 170 local affiliates throughout the United States. The national office's toll-free phone line provides information and referral on legislative and advocacy issues and services throughout the country.

**World Institute on Disability**  
**510 16th Street, Suite 100**  
**Oakland, CA 94612-1502**  
**Phone: 510-763-4100**  
**TDD: 510-208-9493**  
**Fax: 510-763-4109**  
**Web site: <http://www.wid.org>**

The World Institute on Disability is a nonprofit public policy center dedicated to the promotion of independence and full inclusion in society of people with disabilities. Contact the Institute for information and a publications list.

## PUBLICATIONS

A number of pamphlets and booklets on how to buy and maintain a house are available free or at minimal cost from the U.S. government. A partial listing follows:

### HOW TO ORDER THESE BOOKLETS

Most of these publications below are available for a small charge through the federal government's Consumer Information Center. To order these or other free and low-cost publications, request a Consumer Information Catalog by writing to the Consumer Information Center, P.O. Box 100, Pueblo, Colorado 81002.

VA publications may be requested from your nearest Veterans Administration regional office. FHA/HUD brochures are available from your nearest HUD regional or field office.

### GENERAL

*A Home Buyer's Guide to Environmental Hazards.* Discusses possible consequences of exposure to radon, asbestos, lead, hazardous wastes, ground water contamination, and formaldehyde. 41 pp. (1990).

*Home Buyer's Vocabulary.* Defines words and terms used in real estate transactions. 14 pp. (HUD, 383-H9).

*To the Home-Buying Veteran: A Guide for Veterans Planning to Buy or Build Homes with a VA Loan.* (VA Pamphlet 26-6, 1994).

*Wise Home Buying.* Includes how to shop for a house, when to use a broker, inspection procedures, and shopping for a mortgage. 24 pp. (HUD, 267-H5).

### FINANCING

*A Consumer's Guide to Mortgage Lock-Ins.* How you may lock in interest rates and points when applying for a mortgage. 14 pp. (FRB, 1995).

*Consumer Handbook on Adjustable-Rate Mortgages.* Basic features, advantages, risks, and terminology associated with ARMs. 25 pp. (FRB/OTS, 1995).

*Guide to Single-Family Home Mortgage Insurance.* Explains the basic provisions of the major FHA insurance program. 28 pp. (HUD, 1235-HK).

*Home Mortgages: Understanding the Process and Your Rights.* Describes the home buyer's responsibilities regarding the application and credit evaluation stages and legal protections. 4 pp. (FRB, 1995).

*The Mortgage Money Guide: Creative Financing for Home Buyers.* Explains many of the new financing alternatives available to home buyers today. 16 pp. (FTC, 1989).

*VA-Guaranteed Home Loans for Veterans.* Must reading if you are eligible for a VA loan. (VA Pamphlet 26-4, 1995).

## CLOSING

*Settlement Costs: A HUD Guide.* Provides an overview of the home-buying process with special emphasis on closing costs. Lenders are required to give this booklet to home buyers when they apply for a mortgage loan. 45 pp. (HUD, 1989).

## AFTER THE PURCHASE

*Pointers for the Veteran Homeowner: A Guide for Veterans Whose Home Mortgage is Guaranteed or Insured Under the GI Bill.* Valuable information for all homeowners. (VA Pamphlet 26-5, 1992).

*Simple Home Repairs Inside.* Easy step-by-step directions with pictures of how to repair or replace doors, faucets, plugs, windows, screens, tiles, etc. 24 pp. (USDA), 1986.

*When You Move: Your Rights and Responsibilities.* Interstate moving companies must furnish this booklet to their customers. 22 pp. (ICC, 1983).

## MONEY MANAGEMENT AND CREDIT

*Consumer Handbook to Credit Protection Laws.* Discussion of consumer's rights with respect to the uses of credit. 44 pp. (FRB, 1993).

*A Consumer's Guide to Mortgage Refinancing.* What the costs are and how to tell if the time is right to refinance your home. 8 pp. (FRB, 1995).

*Equal Credit Opportunity and Age: Your Rights.* What a creditor may and may not consider when determining your credit worthiness. 5 pp. (FDIC, 1987).

*Fair Credit Reporting Act.* How to check the data in your credit file and what to do if it's incorrect. In English and Spanish. 7 pp. (FDIC, 1987).

*Financial Institutions: Consumer Rights.* Covers federal laws on banking, credit, and home buying; lists regulatory agencies to contact with complaints. 12 pp. (FFIEC, 1990).

*Money Matters.* Tips for selecting the best real estate broker or lawyer at an agreeable price. 13 pp. (FTC, 1986).

*The Principles of Managing Your Finances.* How to assess your current financial status, set goals, and develop and carry out a budget. 43 pp. (USDA, 1987).

*When Your Home Is On the Line: What You Should Know About Home Equity Lines of Credit.* How to find the best deal if you plan to use your home as collateral for a home equity loan. 16 pp. (FRB, 1995).

## SPECIAL TYPES OF HOUSING

### Mobile homes

*How to Buy a Manufactured Home.* Discusses selection, site preparation, transportation, and installation of mobile homes. 23 pp. (FTC, 1986).

*Questions and Answers on Manufactured Home Loans for Veterans.* (VA Pamphlet 26-71-1, 1989).

*Financing Manufactured Homes.* (HUD-265-H10).

### Condominiums

*Questions About Condominiums: What to Ask Before You Buy.* A consumer guide for condominium buyers. (HUD-365-H8).

## HOME PURCHASE/FINANCING/OWNERSHIP

*Mortgage Loans: What's Right for You?* Bridges, James E., 1994, Cincinnati, Ohio: Betterway Books. 144 pp. This book describes the advantages and disadvantages of various types of mortgage loans. Included is information on private mortgage insurance, closing costs, prepaid items, and loan qualification. \$14.95 plus shipping and handling.

**Available from:**  
**Betterway Books**  
**1507 Dana Avenue**  
**Cincinnati, OH 45207-1005**  
**Phone: 800-289-0963**

*A Practical and Simple Guide To a Home Mortgage.* Bass, Gary J., 1987, Irving, Texas: G & P Publishing. 66 pp. The book offers an overview of the financial aspects of purchasing a home. It is a hands-on guide to loans, interest rates, and other practical aspects of financing a home. It includes worksheets to aid prospective home buyers. \$10.50 (including shipping & handling).

**Available from:**  
**G & P Publishing**  
**1404 Lookout Circle**  
**Irving, TX 75060-4909**  
**Phone: 214-986-6575**

*Fact Sheet #1 Fair Housing Amendments Act: Provisions Relating to Discrimination Based on Disability.* 1991. 3 pp. \$1.00.

*Fact Sheet #2 Fair Housing Amendments Act: Reasonable Modification of Existing Premises.* 1991. 2 pp. \$1.00.

**Available from:**  
**The Center for Universal Design**  
**North Carolina State University**  
**Box 8613**  
**Raleigh, NC 27695-8613**  
**Toll-free InfoLine: 800-220-8770**

## PERSON-OWNED AND CONTROLLED HOUSING

*Home of My Own.* 1994, Durham, New Hampshire, University of New Hampshire. A 25-minute video outlining New Hampshire's three-year demonstration project. Three project participants are filmed in their homes talking about what homeownership has meant to them. Family members and service providers discuss how relationships have changed in the process. The project director, legal counsel, and the state housing finance director provide perspective on the project's historical, legal, and financial significance. This sensitive treatment of a complex and innovative initiative is open-captioned and suitable for a general audience. \$20.00 (Please include 10% shipping charges. Make checks payable to: University of New Hampshire).

*Extending the American Dream: Homeownership for People with Disabilities.* Klein, J., and Black, M., 1995, Durham, New Hampshire, University of New Hampshire. 46 pp. The report summarizes financial and demographic data for 16 participants in the New Hampshire Home of Your Own project who closed on their homes from June 1992 to June of 1994. The report includes tables and narrative illustrating the types of properties purchased, sources and uses of funding, and descriptions of mortgages. Profiles of several homeowners, photographs, and an overview of the project and its outcomes make this publication a useful companion for the video, and accessible to audiences beyond the financial community. \$20.00 (Please include 10% shipping charges. Make checks payable to: University of New Hampshire).

*A Report on Legal and Financial Planning Issues in the Home of Your Own Project.* MacIntosh, John D., 1995, Durham, New Hampshire, University of New Hampshire. 13 pp. As states move from a residential support model focused on a "provider" or "agency" to options where an individual leases or owns his own home, significant legal and financial planning issues emerge involving state and federal employment laws, IRS regulations, and Medicaid eligibility. The report addresses not only pitfalls that policy makers, providers of services, individuals with disabilities, and their families may encounter, but also trust and guardianship issues. Areas of discussion include preserving eligibility for and maximizing the use of Medicaid benefits and Department of Labor and IRS issues in supporting people with disabilities in their homes. \$2.00 (Please include 10% shipping charges. Make checks payable to: University of New Hampshire).

**Available from:**  
**National Home of Your Own Alliance**  
**Institute on Disability**  
**University of New Hampshire**  
**7 Leavitt Lane, Ste 101**  
**Durham, NH 03824-3522**  
**Phone: 603-862-4320**

*Housing, Support and Community: Choices and Strategies for Adults with Disabilities.* Edited by Racino, Julie Ann, Walker, Pamela, O'Connor, Susan, and Taylor, Steven, 1993, Paul H. Brookes Publishing Co., 394 pp. (The Community Participation Series, Volume 2). The book demonstrates the importance of people with disabilities having control over their lives by discussing various approaches to support, life planning, choices, and decision-making within the context of housing. \$32.00.

*Innovative Practices in Supported Living: An Overview of Organizations, Issues and Resource Materials.* Center on Human Policy. Syracuse, NY: Center on Human Policy. 1996. 66 pp. A comprehensive resource package on supported living including examples of agencies around the country that are successfully implementing a supported living approach with a discussion of related issues, such as housing and person-centered planning.

**Available from:**  
**Center on Human Policy**  
**National Resource Center on Community Integration**  
**Syracuse University**  
**805 South Crouse Avenue, Room 101**  
**Syracuse, NY 13244-2280**  
**Phone: 315-443-3851**  
**TDD: 315-443-4355**

*Critical Issues in the Lives of People with Severe Disabilities.* Meyer, Luanna, Peck, Charles A., and Brown, Lou, Paul H. Brookes Publishing Co., 1991. 704 pp. This anthology contains documents and research monographs on issues that affect the lives of people with disabilities. Especially pertinent are the sections on community living and assistance describing where and how people with disabilities will live. This well-organized, state-of-the-art resource is written by noted authorities and advocates who offer provocative and creative challenges. \$90.00.

**Available from:**  
**Paul H. Brookes Publishing Company**  
**P.O. Box 10624**  
**Baltimore, MD 21285-0624**  
**Phone: 800-638-3775**

*The Housemate Agreement.* The Center for Universal Design, 1992, 12 pp. Homeowners may find it useful to share their homes with others. A housemate agreement avoids the tenant/landlord status that may otherwise result from this relationship. Considerations and advantages to both the owner and the housemate are discussed, and a copy of a sample agreement is included. \$3.00.

**Available from:**  
**The Center for Universal Design**  
**North Carolina State University**  
**Box 8613**  
**Raleigh, NC 27695-8613**  
**Phone: 800-647-6777**

## PERSON-CENTERED PLANNING/PERSONAL ASSISTANCE

*From Behind the Piano: Building Judith Snow's Unique Circle of Friends.* Pearpoint, Jack, Toronto, Canada: Inclusion Press. 1990. 136 pp. For parents and advocates who doubt whether to champion their child's cause, the story of Judith Snow and her Joshua committee demonstrates that love and determination will convert insurmountable barriers into conquerable challenges and vulnerability into strength. \$15.00 includes shipping.

*PATH Workbook: A Workbook for Planning Possible Positive Futures.* Pearpoint, J., O'Brien, J., and Forest, M., Toronto, Canada: Inclusion Press. 60 pp. A must for anyone using PATH (Planning Alternative Tomorrows with Hope). The workbook is a creative planning tool for use by individuals, families, or organizations and is a companion to the PATH training video (also available from Inclusion Press). \$15.00 includes shipping.

*All My Life's a Circle, Using the Tools: Circles MAPS & PATH.* Falvey, M., Forest, M., Pearpoint, J., and Rosenberg, R., Toronto, Canada: Inclusion Press. 1994. 54 pp. All you wanted to know about Circles, MAPS, and PATH in a short collaborative booklet. It is a perfect companion booklet for conferences and workshops. \$15.00 includes shipping.

**Inclusion Press**  
**24 Thome Crescent**  
**Toronto, Ontario, Canada**  
**M6H 2S5**  
**Phone: 416-658-5363**

*It's Never too Early, It's Never too Late: A Booklet on Personal Futures Planning.* Mount, Beth, and Zwernik, Kay, St. Paul, MN: Minnesota Governor's Planning Council on Developmental Disabilities. 1989. 45 pp. The book explains personal futures planning and offers direction on structuring a planning process. It discusses a capacity-search process, building circles of support, and principles of networks. The publication explores changing service systems along with a candid discussion of the pitfalls to avoid in the planning process. Stock Number: #5-8. Ask for copies of their extensive publications list. First copy free, additional copies \$5.59 each.

Single copies available from:

**Minnesota Governor's Planning Council on Developmental Disabilities**  
**300 Centennial Office Building**  
**658 Cedar Street**  
**St. Paul, MN 55155**  
**Phone: 612-296-4018**

Multiple copies available from:

**Minnesota's Bookstore**  
**117 University Avenue**  
**St. Paul, MN 55155**  
**Toll-free: 800-652-9747, non-metro Minnesota, only.**  
**Phone: 612-297-3000 in the metropolitan twin cities area and out-of-state callers.**

*Creating Individual Supports for People with Developmental Disabilities: A Mandate for Change at Many Levels.* Bradley, V.J., Ashbaugh, J.W., and Blaney, B.C., Baltimore, MD: Paul H. Brookes Publishing Co. 1994. 560 pp. The book describes systems change strategies and action steps to create effective individualized supports. The text guides professionals and advocates through the critical steps that will ensure effective implementation of individualized supports. The authors demonstrate how to create collaborations and partnerships using positive futures planning and quality assurance. In-depth examples show the various ways it can happen.

*Natural Supports in School, at Work, and in the Community for People with Severe Disabilities.* Edited: Nisbet, Jan, Ph.D., Paul H. Brookes Publishing Co., 1992. 384 pp. The work combines thoughtful research and provocative first-person accounts to illustrate how natural supports work. It supports the position that assistance must be defined by the needs of individuals rather than the requirements of service systems. Included is a chapter written by Jay Klein titled, "Get Me the Hell Out of Here," which discusses natural supports for people in their own homes. \$30.00.

**Available from:**  
**Paul H. Brookes Publishing Company**  
**P.O. Box 10624**  
**Baltimore, MD 21285-0624**  
**Phone: 800-638-3775**

*Building Community for People with Disabilities: Person-Centered Development.* (A Series of Six Monographs). Mount, Beth, Beeman, Pat, and Ducharme, George. Manchester, CT: Communitas.

*Dare to Dream: An Analysis of the Conditions Leading to Personal Change for People with Disabilities.* 1991. 50 pp.

*Imperfect Change: Embracing the Tensions of Person-Centered Work.* 1990. 36 pp.

*One Candle-Power: Building Bridges to Community Life.* 1989. 45 pp.

*Person-Centered Development: A Journey in Learning to Listen to People with Disabilities.* 1991. 50 pp.

*What are We Learning about Bridge-Building?: A Summary of a Dialogue Between People Seeking to Build Community for People with Disabilities.* 1988. 21 pp.

*What are We Learning about Circles of Support?: A Collection of Tools, Ideas and Reflections on Building and Facilitating Circles of Support.* 1988. 30 pp.

**These books and others are available from:**  
**Communitas, Inc.**  
**730 Main Street**  
**Manchester, CT 06040**  
**Phone: 203-645-6976**

*Impact: Feature Issue on Supported Living. Institute on Community Integration.* Minneapolis, MN: Institute on Community Integration. 1995. 28 pp. Special issue newsletter on supported living including recommendations for agency-wide change. Additional copies \$2.

**Available from:**  
**Institute on Community Integration (UAP)**  
**Publications Office, University of Minnesota**  
**109 Pattee Hall**  
**150 Pillsbury Drive, SE**  
**Minneapolis, MN 55455**  
**Phone: 612-624-4512**

*Finding a Way Toward Everyday Lives: The Contribution of Person Centered Planning.* O'Brien, John and Lovett, Herbert. Harrisburg, PA: Pennsylvania Office of Mental Retardation. 1992. 19 pp. The short booklet describes the foundation for person-centered planning and its potential for creating a better future for people, as well as influencing change. It also addresses controversies and fears associated with this new approach. A bibliography is included.

**Available from:**  
**Pennsylvania Office of Mental Retardation**  
**P.O. Box 2675**  
**Harrisburg, PA 17105-2675**  
**Phone: 717-787-3700**

## COMMUNITY INTEGRATION

*Publications by Staff and Associates of the Center on Human Policy.* National Resource Center on Community Integration. Syracuse, NY: National Resource Center on Community Integration. 1996. 7 pp. The publication list includes books, articles, chapters, and reviews that discuss many critical issues for people with disabilities.

*Resources and Reports on Community Integration.* National Resource Center on Community Integration. Syracuse, NY: National Resource Center on Community Integration, 1996. 15 pp. The listing includes numerous information packages, site visit reports, resource materials, news bulletins, journal articles, and studies on the integration of people with disabilities into community life.

**Available from:**  
**Center on Human Policy**  
**National Resource Center on Community Integration**  
**Syracuse University**  
**805 South Crouse Avenue, Room 101**  
**Syracuse, NY 13244-2280**  
**Phone: 315-443-3851**  
**TDD: 315-443-4355**

*The Whole Community Catalogue.* Wetherow, David/Communitas, 1992, Gunnars & Campbell, Winnipeg. A source book for enriching our communities, neighborhoods, schools, workplaces, associations and families through full participation and inclusion of people who have disabilities. Contains a collection of essential articles, ideas, reviews, and connections. Includes resources on relationships, education, vocations, training, networks, periodicals, catalogues, and housing. \$15 plus \$2 shipping & handling.

**Available from:**  
**Communitas, Inc.**  
**730 Main Street**  
**Manchester, CT 06040**  
**Phone: 203-645-6976**

*Annotated Bibliography on Aging, Disabilities, Advocacy and Environmental Design.* Edited: Bishop, Kathleen, Research and Training Center on Community Integration, 1993, 23 pp., Syracuse, NY. \$2.40.

*Annotated Bibliography on Community Integration.* Revised Research and Training Center on Community Integration, 1990, 250 pp., Syracuse, NY., \$16.75.

*Life in the Community: Case Studies of Organizations Supporting People with Disabilities.* Edited: Taylor, Steven J., Bogdan, Robert, and Racino, Julie Ann, 1991, Paul H. Brookes Publishing Co., 304 pp. (The Community Participation Series, Volume 1). This has comprehensive case studies organized around three themes: families, housing, and the role of the community in integration. It provides practical ideas, applications, and strategies to promote successful community integration for people of all abilities. \$30.00.

**Available from:**  
**Paul H. Brookes Publishing Company**  
**P.O. Box 10624**  
**Baltimore, MD 21285-0624**  
**Phone: 800-638-3775**

*Members of Each Other: Building Community in Company with People with Developmental Disabilities.* O'Brien, John and Lyle-O'Brien, Connie, Toronto, Canada: Inclusion Press. 1996. 140 pp. An inspiring collection of essays and reflections exploring how community can be regenerated when everyone is included in the process. \$12.00 plus \$3 shipping.

**Available from:**  
**Inclusion Press**  
**24 Thome Crescent**  
**Toronto, Ontario, Canada M6H 2S5**  
**Phone: 416-658-5363**

*Supported Living Resource List.* The Arc of the United States. Arlington, TX: The Arc of the United States. 1996. 4 pp. The publication contains information on programs and materials that address various aspects of community living. The listing is updated periodically to reflect new organizations and publications. Order #30-28. Send a self-addressed stamped envelope.

**Available from:**  
**The Arc of the United States**  
**National Headquarters**  
**500 East Border Street, Suite 300**  
**P.O. Box 1047**  
**Arlington, TX 76004**  
**Toll-free InfoLine: 800-433-5255**  
**Phone: 817-261-6003**  
**TDD: 817-277-0553**  
**E-mail: [thearc@metronet.com](mailto:thearc@metronet.com)**

*New Life in the Neighborhood.* Perske, Robert. Nashville, TN: Abingdon Press. 1980. 77 pp. Perske demonstrates in this book that persons with disabilities are capable of being part of community life.

**This and other books are available from:**  
**Abingdon Press**  
**201 Eighth Avenue South**  
**Nashville, TN 37202**  
**Toll-free: 800-251-3320**



## GLOSSARY

### **Accessibility**

The capacity of a house to be approached, entered, or made livable.

### **Action plan**

A plan that identifies exact tasks to be completed and assigns responsibility for completing each task to a specific person.

### **Adjustable Rate Mortgage (ARM)**

A mortgage that permits the lender to adjust the interest rate periodically on the basis of changes in a specified index.

### **Affidavit**

A written declaration or statement of facts taken under oath.

### **Annual Percentage Rate (APR)**

The total cost of a mortgage stated as a yearly rate; includes the base interest rate, loan origination fee (points), commitment fees, prepaid interest, and credit costs that may be paid by the borrower.

### **Appraisal**

An estimate of the market value of a property (determined by a professional appraiser), based on prices that have been recently paid for similar property in the same area.

### **Asbestos**

A material formerly used for insulation in homes and businesses; now known to cause health problems.

### **Assumption fee**

A processing fee the buyer pays to take over the payments on the seller's existing loan.

### **Binder**

A preliminary agreement between a buyer and seller that includes the price and terms of the contract.

### **Budget**

Summary of estimated income and expenses.

### **Buyer**

A person who enters the home buying process.

### **Capacity**

A person's financial ability to make payments.

### **Capital**

Money or property owned by an individual.

### **Clear title**

A title that is free of liens or legal questions as to ownership of property.

### **Closing**

A meeting to finalize the sale of property by delivery of a deed from seller to buyer. The buyer signs the mortgage documents and pays the closing costs. It is also called a "settlement."

### **Closing costs**

The upfront expenses that must be paid at the time of purchase (over and above the price of the property.) These "closing costs" generally range from three to six percent of the total mortgage. For example: to buy a \$60,000 house with a five percent down

payment, your closing costs would total between \$1,710 and \$3,420.

**Collateral**

Money or property pledged by a borrower to assure the lender that the loan will be repaid.

**Commercial bank**

Private, profit-making business that loans money and carries out numerous financial transactions.

**Commission**

A fee, usually a percentage of the purchase price of the property, charged by a real estate agent to complete a sale.

**Commitment letter**

Letter from a lender that is a formal offer for a loan. The letter includes the amount and term of the loan; the loan origination fee (a percentage of the loan amount); the points; the annual percentage rate or APR; the monthly mortgage payment; and any terms or conditions that must be met before the closing.

**Condominium**

A residential unit that is individually owned, while the facilities and common areas (the surrounding land, the hallways, and elevators, and any recreational facilities) are owned collectively by the owners of each unit.

**Contingency**

A condition that must be met before a contract is legally binding.

**Conservator**

In some states, a conservator is an individual or organization who has been named by a court to exercise some or all powers and rights over a person and/or estate of the person. In other states, a conservator may be described as having control over a person's estate only.

**Contractor**

A person who contracts to perform work or provide a service, such as repair or construction.

**Convertible ARM**

An adjustable-rate mortgage that may be converted to a fixed-rate mortgage under specified conditions.

**Cooperative**

A residential unit, also referred to as a co-op, in which owners own shares in a corporation rather than owning the individual units in which they live.

**Counteroffer**

Response from a seller to a buyer's offer. A counteroffer is typically higher than the buyer's offer and lower than the original sale price of the house.

**Credit counselor**

A person who is trained to give advice about how to manage one's money. The counselor may either work for a lender or for an independent credit counseling agency.

**Credit report**

A report that shows an individual's history as a bill payer, as well as how much money the person owes.

**Credit union**

A membership financial organization that provides loans to its members.

**Debt**

Money that is owed.

**Deductible**

A set amount that an insured person pays out of his or her own funds to cover repairs, or loss of a home, or belongings. Once the deductible is paid, the insurance company pays the remaining costs involved.

**Deed**

A legal document that transfers and verifies ownership of (or title to) a property.

**Deed of trust**

Document used in place of a mortgage. With a deed of trust, a third party is involved in the sale. This person, called a trustee, holds the title to the property until the entire loan is paid.

**Deposit**

A “good faith” payment submitted by a buyer along with an offer to purchase a house. Assures the seller that a buyer is serious about purchasing a house.

**Discretionary expense**

An expense that one has control over, such as entertainment, eating out, and clothing.

**Down payment**

The portion of the purchase price that the buyer pays in cash and does not finance with a mortgage.

**Earnest money (deposit)**

A “good faith” payment submitted by a buyer along with an offer to purchase a house. Assures the seller that a buyer is serious about purchasing a house.

**Escrow**

The holding of documents and/or money by a neutral third party prior to closing; also, an account held by the lender into which a homeowner deposits money for taxes and insurance.

**Estate sale**

Sale of a property after the death of an owner.

**Estimate**

A statement of the approximate cost of a service.

**Expense**

Cost or allotment for an item or a service.

**Facilitator**

A person who knows a potential home buyer well, believes in his or her dream of owning a home, and is willing and able to assist the person to reach his or her goal of homeownership.

**Fair Housing Act**

Law which prohibits discrimination on the basis of race, religion, age, national origin, receipt of public assistance funds, sex, marital status, or disability.

**Fannie 97**

A Fannie Mae mortgage product that requires only a 3 percent down payment from the borrower. Family members, non-profit groups, or government agencies may pay the closing costs. Two options are available—a 30-year, fixed-rate mortgage with a debt-to-income ratio of 28/36, and a 25-year, fixed-rate mortgage with a ratio of 33/36.

**Federal Deposit Insurance Corporation (FDIC)**

A government agency that provides insurance protection for individuals and businesses who deposit money in banks.

**Federal Housing Administration (FHA)**

The government agency established to improve housing standards and conditions, and provide an adequate home financing system through insurance of mortgages, as well as stabilize the mortgage market.

**Financing**

Funds or credit provided to a buyer from a bank or other lending source.

**Fixed expense**

An expense such as a mortgage payment, utilities, and insurance premiums.

**Fixed-rate mortgage**

A mortgage in which the interest rate does not change during the entire term of the loan.

**Formaldehyde**

A colorless, gaseous chemical compound that is released by many construction materials. It was also an ingredient in the foam used for insulating houses until the early 1980s. It may cause irritation of the eyes, nose, and throat, and is suspected of causing health problems.

**Foreclosure**

Legal action taken by a lender if a borrower fails to pay monthly mortgage payments on time. The bank or lender takes back the property and sells it to try to recover the money it loaned.

**Grace period**

The length of time after the payment due date that a lender or other creditor will allow a monthly payment to be paid without charging a penalty.

**Graduated payment mortgage**

A mortgage that starts with low monthly payments that increase at a predetermined rate for a specified time. The initial monthly payments are set at an amount lower than that required for full amortization of the debt.

**Grant**

Money that does not need to be repaid. Grants may be obtained from numerous agencies; affordable housing programs; endowments for first-time home buyers; and/or private foundations.

**Guardian**

An individual or organization who has been named by a court to exercise some or all powers and rights over a person and/or estate of the person.

**Hazard insurance**

Also called "property insurance," protects a homeowner and the lender from loss in the event the house is destroyed or damaged in any way.

**Hazardous waste**

Chemicals and other materials that have been or need to be discarded that cause potential health problems.

**Home improvements**

Repairs or renovations that restore or increase the value and may beautify a home.

**Home inspection**

A property inspection to evaluate the structural and mechanical condition (not the market value) of the property. Performed by a professional inspector, the inspection is based on observable, un concealed structural conditions.

**Homeowner's warranty**

Serves as an insurance policy. If a major system (such as the heating system, air conditioning, or a major appliance) breaks down during the term covered by the warranty, the warranty will cover the cost, or part of the cost, to replace or repair it.

**Housing counselor/education provider**

A person who is trained to assist prospective home buyers throughout the purchase process.

**Housing finance agency**

State-mandated agency that finances housing for low- and moderate-income people.

**HUD-1 Settlement Statement**

This form is required by federal law. The purpose of the form is to itemize the services provided and list the charges to the buyer and the seller. The form is filled out by the settlement agent who conducts the closing. Both the buyer and seller must sign it.

**Inspection**

A thorough examination of a property by a professional home inspector.

**Insufficient funds**

A shortage of money to cover an expense.

**Insurance**

A contract providing protection against loss or harm, in return for a payment of money.

**Interest**

The fee charged for borrowing money. Interest rates may change from day to day and can vary between different lenders and different types of loans.

**Interest rate cap**

A provision of an ARM limiting how much interest rates may increase per adjustment period or over the life of a mortgage.

**Investment**

The purchase of an item or piece of property that will hold its value or is likely to increase in value.

**Lead-based paint**

Paint containing lead, used on nearly all homes before 1950, and for many built between 1950 and 1978. The presence of lead paint should be investigated as even low levels of lead exposure can have very serious health-related consequences, especially for infants, young children, and pregnant women.

**Lease-Purchase Mortgage Loan**

A mortgage product that allows low- and moderate-income home buyers to lease a home from a non-profit organization, or private seller, with an option to buy. Each month's rent payment consists of PITI payments on the first mortgage, plus an extra amount designated for deposit to a savings account where money for a down payment accumulates.

**Lender**

A person or institution that provides funds to a borrower.

**Lien**

A legal claim filed against a property by creditors trying to collect unpaid bills, or by the IRS for nonpayment of taxes. A lien gives creditors the right to collect the money owed them when the owner sells the property.

**Lifetime cap**

A provision of an ARM that limits how high the interest rate on the loan may be at any point over the life of the loan.

**Loan**

A sum of money that is provided with the expectation of repayment.

**Loan interview**

A meeting between the person applying for a mortgage and an agent from the lending institution (the loan officer or originator).

**Loan officer**

Agent of the bank or lending institution who collects the data required by the underwriter who determines whether a borrower is granted a loan. Also called an originator.

**Loan origination fee**

A fee paid by the buyer to cover the administrative costs of processing the loan. The fee may be described as a percentage of the loan (for example, one percent of the mortgage amount).

**Loan processing**

The steps performed by a loan officer or other lender to determine whether to grant a loan to a borrower. These include a review of the borrower's financial circumstances, credit history, and appraisal of the property.

**Loan servicing**

The collection of mortgage payments from borrowers and the related responsibilities of a loan servicer.

**Loan term**

The length of time you have to pay back the loan. Most mortgages are paid back over 15 to 35 years. First-time home buyers usually request the longest possible mortgage term in order to have the lowest monthly payment.

**Loan-to-Value Percentage (LTV)**

The relationship between the unpaid principal balance of the mortgage and the appraised value (or sales price if it is lower) of the property. Typically, the difference is expressed as a percentage of the amount the lender is willing to lend.

**Maintenance**

Ongoing care of a property to keep it in good condition.

**Mortgage**

A legal document that pledges a property to the lender as security for repayment of a loan.

**Mortgage broker**

An individual or company that, for a fee, acts as intermediary between borrowers and lenders.

**Mortgage company**

Private, profit-making business that offers mortgage loans.

**Mortgage insurance**

A contract to protect the lender if the buyer fails to repay the mortgage loan. Loans with private mortgage insurance (or PMI) enable the home buyer to purchase a home with a lower down payment than would otherwise be acceptable to the lender.

**Mortgage life insurance**

A contract to insure that the lender will be paid any money owed if a buyer dies before paying off a mortgage.

**Multiple listing service (MLS)**

An electronic system used by real estate agents that generates a list of properties for sale.

**Negotiate**

To deal or bargain with another person.

**Net income**

The amount of money one has after taxes and any other deductions, such as medical insurance. Also called take-home pay.

**Nontraditional credit history**

Documentation of monthly payments to previous landlords or property managers; utility companies for electricity, gas, water, and telephone services; cable television companies; and to insurance companies for medical or life insurance. These payments will not appear on a credit report, but canceled checks, receipts, and reference letters from creditors will provide proof that payments were made.

**Note**

The mortgage note is simply an IOU. It represents the buyer's promise to pay back a loan. The note spells out the terms of the loan, including the date that payments must be made and where to send or present the payment.

**Obligation**

A moral or legal responsibility or promise.

**Occupancy date**

The date that a buyer may move into a newly-purchased home.

**Owner financing**

A property purchase transaction in which the property seller provides all or part of the financing.

**Personal profile**

An organized listing describing a person's life, or a particular aspect of it.

**PITI**

Stands for principal, interest, taxes, and insurance—the components of a monthly mortgage payment.

**Points**

A one-time fee charged by the lender to increase the amount of profit for the lender on the loan; a point is one percent of the amount of the mortgage. Some lenders will charge one point to originate a loan.

**Prepayment penalty**

A fee that may be charged to a borrower who pays off a loan before it is due to be paid off.

**Pre-qualification**

Process that determines the amount a lender may be willing to lend a borrower to purchase a house.

**Premium**

The amount paid by a borrower or insurance policy holder.

**Principal and interest (P&I)**

The portion of a mortgage payment that includes the principal (the amount you actually borrowed) and the interest (a fee for borrowing the lender's funds).

**Private mortgage insurance (PMI)**

A contract paid for by the borrower to protect the lender against loss if a

borrower fails to repay the mortgage.

**Property insurance**

Also called "hazard" insurance, protects a homeowner and the lender from loss in the event the house is destroyed or damaged in any way.

**Public benefits**

Income from a governmental agency. This includes funds received from the Social Security Administration, Medicaid, and federal and state agencies.

**Public Housing Authority**

Local housing agencies that administer public housing.

**Purchase and sale agreement**

A written and signed offer to purchase a house for a given price under specified terms.

**Probate Court**

Court that grants and oversees guardianship and conservatorship, as well as, establishes the validity of wills.

**Radon**

A naturally occurring, odorless gas that may seep into houses and cause health problems.

**Rate lock-in**

A written agreement guaranteeing the home buyer a specified interest rate provided the loan is closed within a set period of time. The lock-in usually specifies the number of points to be paid at closing.

**Real estate sales professional**

A person who is trained and licensed to sell real estate. Also referred to as a realtor, agent, or broker.

**Recording fee**

A fee required by most states to record the purchase documents.

**Reference**

A statement regarding a person's character or abilities.

**Renovations**

Repairs or construction which either restores a house to its original condition or improves its condition.

**Representative payee**

A person or organization selected by the Social Security Administration (SSA) to manage the benefit payments of an individual receiving cash benefits from the Social Security Administration (i.e., SSI, SSDI) who is unable to do so on their own. The representative payee receives cash benefit payments on the individual's behalf and determines how these funds will be spent.

**Reserve**

Money that is set aside, such as an escrow account.

**Resource**

A source of financial or other support that can be readily drawn upon.

**Rider**

Additional coverage to an insurance policy that may be purchased to cover such items as expensive camera, stereo, computer equipment, or valuable jewelry.

**Rural Housing Service (RHS)**

Formerly known as the Farmers Home Administration, this branch of the U.S. Department of Agriculture offers low interest rate home loans with no down

payments to persons with low and moderate incomes who live in rural areas.

**Savings and loan association**

A financial institution that invests primarily in mortgage loans.

**Seller**

A person or organization who offers a property for sale.

**Settlement agent**

A lender, title insurance company, escrow company, real estate broker, or attorney who conducts a closing.

**Single-family home**

A house that usually stands on its own, unattached to another home, and is designed to be occupied by one person or family. In some urban areas single-family homes share a common wall. Generally, the land and the house are owned by the same person.

**Survey**

A drawing or map that shows the exact legal boundaries of a property. The survey shows physical features, such as improvements to the property.

**Termites**

Insects that feed on wood.

**Tax**

A sum of money paid by an individual or organization to the government in return for its services.

**Title**

A legal document, a claim or right, stating that there are no legal questions as to who owns a property.

**Title insurance**

A contract providing protection against any problems that may arise with the title.

**Townhouse**

Type of condominium. These units share common walls, and may have two or more stories. Each unit has its own ground space, but as with condos, the common spaces and facilities are collectively owned by all of the unit owners.

**Transfer fee**

The fee imposed by most states on the transfer of property.

**Transfer of servicing**

The change of responsibility for servicing (collecting and processing your mortgage payments) from one lender to another.

**Trust**

A legal agreement between two or more people where one person places money or property in the name of an individual or a bank (the trustee) for the benefit of another person (the beneficiary). The trustee owns the property but is legally required to use the money or property for the benefit of the beneficiary.

**Truth-in-lending Act (TILA) statement**

A document required by the Truth-in-lending Act that obligates mortgage lenders to explain in writing the terms and conditions of a mortgage. The lender is required to give a copy to the loan applicant within three business days of receiving the initial application.

**Verification**

Proof of a statement's truth.

**Veteran's Affairs (VA) loan**

A loan that allows qualified veterans to buy a house with no down payment.

**Warranty**

A legally binding guarantee which covers the cost, or part of the cost, to replace or repair an item.

**Wish list**

A list or outline of one's desires.

**Zone**

A "zone" is a specific section of land, such as a neighborhood. Zoning laws dictate how the section of land is to be used.

---

National  
**Home of Your Own**  
Alliance