VHDA

HOMEBUYER HANDBOOK

This educational guide has been prepared by the Virginia Housing Development Authority (VHDA).

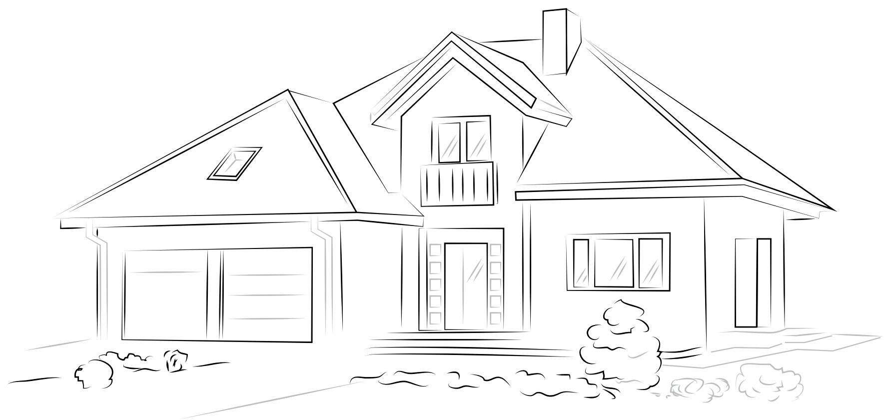
Special thanks and great appreciation to the agencies listed below who assisted with the development of the original 1999 version of this handbook.

U.S. Department of
Housing and Urban Development

Virginia Fair Housing Office
Richmond, Virginia

Virginia Cooperative Extension Service
Petersburg, Virginia

Contents



Welcome to Homebuyer Education

A home represents stability and safety. It holds dreams and hopes for the future, and provides a sanctuary that's all your own. So, how do you know if you're ready to be a homeowner? Knowledge and good planning are the keys to making your first-time homebuying experience successful. You'll need to understand the basic ins and outs of the purchasing process, and the financial responsibilities that come with homeownership. The more you know, the more successful you'll be. By the time you finish this book, you'll be able to make an informed decision about when — and if — buying a home is the right choice for you.

Five
Steps to Homeownership

1 Attend VHDA's free homeownership class.

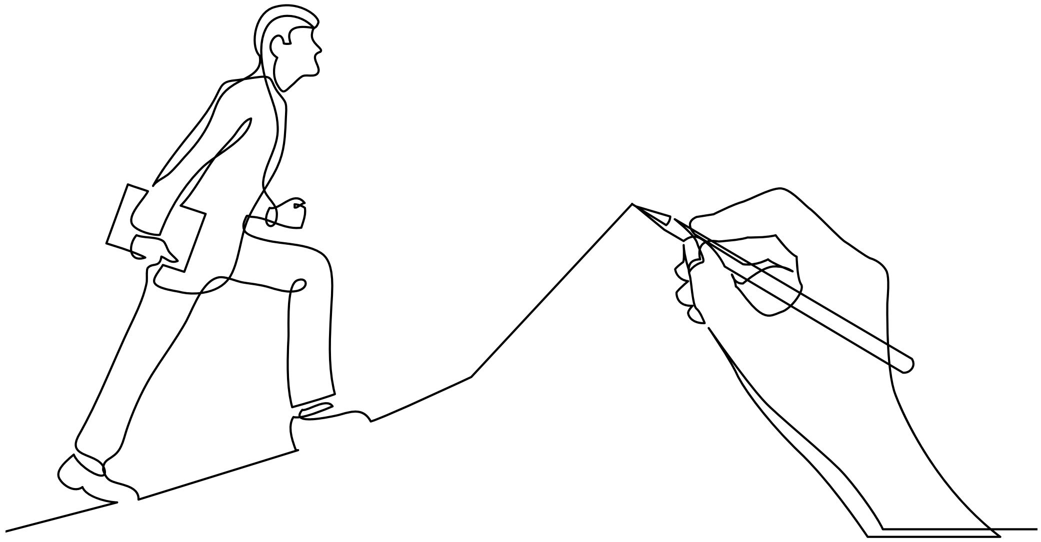
This class, taught by industry experts, will cover the entire homebuying process, the responsibilities of owning a home, personal finances and credit, working with a lender and real estate professional, completing the loan process, the home inspection and ways to protect your investment. The eight-hour class is offered at a variety of times and locations, and is also available online at vhda.com. Classes are taught in English, Spanish and other languages. Completion of this class is required of all borrowers in order to become eligible for all VHDA loan programs. To learn more, visit vhda.com or call 877-VHDA-123.

Note: Anyone can take VHDA's free Homebuyer Class, but the class is required if you're applying for a VHDA home loan. If you're buying a house with your spouse or another person who will legally share the financial responsibility for making mortgage payments, then each of you must take the class and provide copies of your completion certificates prior to the loan closing.

2 Find a VHDA-approved lender and get pre-approved for your price range.

Before you start shopping, you'll need to know what you can afford. A VHDA-approved lender can tell you in advance what the maximum home price is they can finance for you. To find a VHDA-approved lender, just visit vhda.com/FindALender or call 877-VHDA-123. All VHDA-approved lenders can provide information about all of our loans.

Pre-approval is based on information you provide and is subject to review at the time of the mortgage application.



3 Choose a real estate professional to help with your home search.
When you meet with your real estate agent for the first time, tell them your price range and the kind of home you're looking for. They will locate homes on the market that meet your criteria, and take you on a tour of them. When you find the right home, your agent will help you prepare an offer to buy it. The seller will either accept your offer, reject it or make a counteroffer.

To find a member of VHDA's Real Estate Agent Connection, just visit vhda.com/FindARealEstateAgent or call 877-VHDA-123. All members have completed a rigorous Real Estate Professional Training program, receive regular updates about programs that could benefit you, and are familiar with the special concerns of first-time homebuyers.

4 Finalize your mortgage application with your pre-selected lender.
Your VHDA-approved lender will ask you for the additional information and documentation needed to authorize your loan. The approval of the loan is contingent on this information, as well as the results of the property appraisal. During this phase, you will shop for **homeowners insurance**, choose an attorney or closing agent and schedule utilities to be connected. Surveys and home inspections will be completed and you will do a final walk-through inspection of the property before closing.

5 Attend the loan closing with your attorney or closing agent.
This is the official review and signing of the papers that finalizes the deal. Each page will be explained to you before signing. You will provide your down payment (if applicable), and receive the keys to your new home!

Managing Your Money

Chapter 1

Buying a home may be the largest transaction you'll ever make. Being a homeowner is exciting, but it's also a major financial responsibility and one you need to be prepared for.

So, how will you know if you're ready?

The key is good planning. By getting a handle on your personal finances and developing a solid financial plan to guide you now and into the future, you'll be able to make an informed decision about when, and if, homeownership is the right choice for you.

In this chapter, you'll learn about:

- The importance of creating a Spending and Savings Plan.
- Managing your debt.
- Additional community resources that can assist you.

The Ups and Downs of Homeownership

Homeownership may not be the right financial choice for everyone.

As you're considering purchasing a home, it's smart to recognize the financial benefits as well as some of the realistic challenges of being a homeowner.

Financial Benefits of Owning a Home

Wealth Building
A part of each monthly mortgage payment reduces your loan balance and builds **equity**.

Tax Savings
The interest paid on your mortgage loan may be tax deductible.

Stable Housing Cost
When you have a **fixed-interest loan**, the principle and interest payments remain the same for the life of your loan.

Improve Credit
Making monthly mortgage payments on time creates a reliable payment history so you can improve your credit worthiness.

Potential Financial Challenges of Owning a Home

Higher Housing Cost
Your monthly mortgage payment could be higher than what you pay in rent. Homeowners are responsible for the cost of maintenance and repairs, additional utilities, insurance and property taxes.

Decreased Mobility
It's not easy to pick up and move when you own a home. You'll have to decide what to do with your property, and that could take time and money. Options include:

- Renting your home on your own.
- Renting with a property management company (for a fee).
- Placing your home on the market for sale.

Potential Foreclosure
Foreclosure is the legal process that occurs when a homeowner is unable to make their mortgage payments and the property must be repossessed by the lender. A savings plan that includes cash for financial emergencies may help you avoid foreclosure.

Why Create a Spending and Savings Plan?

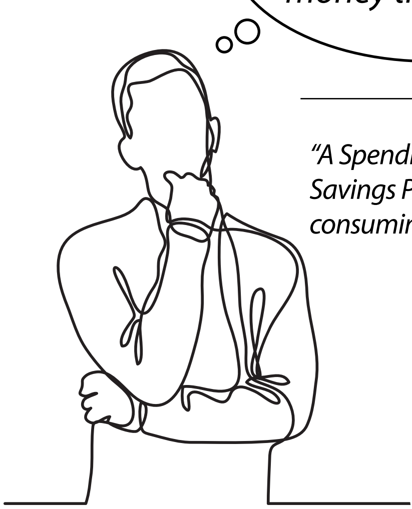
Developing a Spending and Savings Plan that accurately reflects your current financial situation is a big part of making sure that you're successful as a homeowner.

Many people avoid creating a detailed plan for their finances because they think it will be difficult or time-consuming. Sometimes people hear "Spending and Savings Plan" and think, "So, I'll only be able to eat bread and water, right?"

What a Spending and Savings Plan really does is help you get to your goal of homeownership. With a plan, you'll be ready for those periodic and unexpected expenses, as well as have a way to put away money for something that you might need or want, like a car or a vacation.

Here are some remedies you can use to tackle those pesky barriers to creating a Spending and Savings Plan:

IF YOU THINK:	A PLAN CAN:
"I have a limited income and barely have enough to make ends meet."	• Help you make the best choices with your money. • Point out areas where you can cut back spending and make choices to change your situation so you can save or earn more money.
"This is stressful. I'm afraid of what I'll find out about my spending habits."	• Help you deal with the truth and make the necessary changes to reach your goals. • Give you the feeling that knowledge is power.
"I don't need a plan. That's for people with money troubles."	• Make sure you're truly being smart with your money and financial resources, even if you aren't in financial hot water. • Keep your financial future safe so you won't have to worry if challenges come up. • Remind you that even people with lots of money need a plan.
"A Spending and Savings Plan is too time consuming and boring."	• Get you into a rhythm of keeping track of your spending and saving on a weekly or even daily basis. • Once you have your plan in place, it will be easy to keep up. • Be connected directly to your bank. Many banks and credit unions offer online users an auto-generated budget to track your actual spending habits and deposits. You can also download user-friendly apps on your smartphone to streamline the process.



Balancing Income and Expenses

A Spending and Savings Plan consists of two parts: **income and expenses**. All regular monthly income from documented sources, such as paychecks, should be included.

Don't include irregular income such as gifts and periodic income gained from the sale of personal items posted in online marketplaces, etc.

Create Your Own Spending and Savings Plan

Take the first step to achieving your goal of being a homeowner! On the next page there is a Household Monthly Spending and Savings Plan that will help you determine your expenses now and what they might look like if you buy a house.

PRO TIP

The key to a successful Spending and Savings Plan is to make sure to include **EVERY** expense. Even things as small as a cup of coffee purchased at the gas station or an in-app purchase for a game on your smartphone should be included.

There Are Three Types of Expenses:

FIXED EXPENSES

Regular and expected expenses such as:

- Rent.
- Utilities.
- Cell phone.
- Childcare.

DEBTS

Credit obligations paid on a monthly basis such as:

- Credit cards.
- Vehicles.
- Student loans.
- Medical payments.

FLEXIBLE EXPENSES

Expenses that are more discretionary, including:

- Money for groceries.
- Clothing.
- Streaming accounts.
- Entertainment.

HOUSEHOLD SPENDING & SAVINGS PLAN

FAMILY SIZE

Adults	________
Children	________

NET MONTHLY INCOME

	Now	With House
Source 1	________	________
Source 2	________	________
Source 3	________	________
Total Income (A)	________	________

FIXED EXPENSES

	Now	With House
Rent/Mortgage	________	________
Electric	________	________
Gas/Oil	________	________
Water/Sewer	________	________
Cell/Home Phone	________	________
Streaming Services	________	________
Internet Service	________	________
Trash Pickup	________	________
Television Services	________	________
Medical Insurance	________	________
Auto Insurance	________	________
Life Insurance	________	________
Renter/Home Insurance	________	________
Child Support/Alimony	________	________
Child Care	________	________
HOA/Condo Fees	________	________
Other	________	________
Total Fixed (B)	________	________

DEBT PAYMENTS

	Now	With House
Automobile Loan	________	________
Other Loans (Personal, furniture, etc.)	________	________
Student Loans	________	________
Major Credit Cards	________	________
Other Purchase Cards (Dept. store, Gas etc.)	________	________
Total Debt (C)	________	________

FLEXIBLE EXPENSES

	Now	With House
Savings	________	________
Groceries/Food Delivery	________	________
Eating Out (work. etc.)	________	________
Entertainment/Hobbies	________	________
Laundry/Dry Cleaning	________	________
Clothing	________	________
Cleaning Supplies	________	________
Auto Gas/Electric	________	________
Auto Maintenance	________	________
Ride Sharing or Service	________	________
Parking/Tolls	________	________
App Purchase	________	________
Alcohol/Cigarettes	________	________
Church/Charity	________	________
Tuition/Books	________	________
Barber/Salon Services	________	________
Membership (Gym, etc.)	________	________
Doctor/Dentist	________	________
Pets	________	________
Lottery/Bingo	________	________
Lawn Care	________	________
Maintenance/Repairs	________	________
Other	________	________
Total Flexible (D)	________	________

EXPENSES

Fixed (B)	________	________
Debt (C)	________	________
Flexible (D)	________	________
Total Expenses (E)	________	________

Subtract Expenses from Income (A - E)

Total Income (A)	________	________
Total Expenses (E)	________	________
Difference + or -	________	________

Applicants Signature: ______________________________

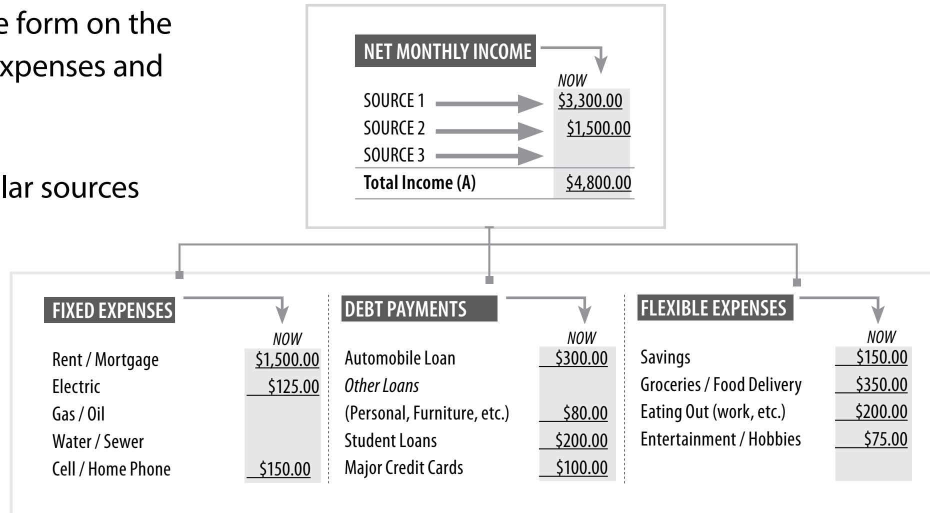
Applicants Signature: ______________________________

CERTIFICATION: I hereby certify that I have reviewed the above budget with the applicant(s) and concur that it is reasonable.

Lender or Counselor Signature: ____

Let's Get Started

Fill in the "Now" column on the form on the previous page. These are the expenses and income you have right now.



Net Monthly Income – All regular sources of income should be listed here. Your salary or wages **before** any taxes or deductions is called your **gross income.** For your Spending and Savings Plan, you only want to include **your take-home pay or net income** (what you bring home after taxes and deductions).

Fixed Expenses, Debts and Flexible Expenses – These are all **your monthly bills**, your debt payments (credit cards, car payments, etc.) and your flexible expenses like what you spend on groceries, your streaming video or cable TV, family entertainment, clothing and gifts you may buy.

Remembering the flexible expenses such as eating out, vending machines and gas for your car may be a challenge. If you are not sure about those costs, it's better to make a guess than to leave them out.

Calculating Your Total Income + Total Expenses – After totaling your expenses and subtracting them from your income, does the form show that you have some money left over, but you know you don't typically have any left each month? If so, don't worry. You are not alone. Most of us cannot accurately remember where all of our money goes each month unless we have kept a written record. In this situation **you may want to consider tracking your spending**.

Tracking Your Spending – Track **every penny** you spend for one to two months so you can see where your money is going. Even change spent in the vending machine for a soda or at the convenience store should be written down.

Now that you have a detailed picture of how you're spending your money, you have the power to make adjustments to help you get to your financial goals.

PRO TIP

Whatever you do, make sure you develop a realistic Spending and Savings Plan that accurately reflects both your income and your expenses. Remember, you're creating a "road map" that will ultimately lead you to your new home.

SAMPLE "NOW" HOUSEHOLD SPENDING & SAVINGS PLAN

FAMILY SIZE

Adults	2
Children	1

NET MONTHLY INCOME

	Now	With House
Source 1	2,900.00	
Source 2	1,300.00	
Source 3		
Total Income (A)	$ 4,200.00	$ 0.00

FIXED EXPENSES

	Now	With House
Rent/Mortgage	1,000.00	
Electric	118.00	
Gas/Oil		
Water/Sewer		
Cell/Home Phone	150.00	
Streaming Services	15.00	
Internet Service	75.00	
Trash Pickup		
Television Services	125.00	
Medical Insurance		
Auto Insurance	115.00	
Life Insurance		
Renter/Home Insurance	40.00	
Child Support/Alimony		
Child Care	100.00	
HOA/Condo Fees		
Other		
Total Fixed (B)	$ 1,738.00	$ 0.00

DEBT PAYMENTS

	Now	With House
Automobile Loan	300.00	
Other Loans (Personal, furniture, etc.)	80.00	
Student Loans	250.00	
Major Credit Cards	134.00	
Other Purchase Cards (Dept. store, Gas etc.)	195.00	
Total Debt (C)	$ 959.00	$ 0.00

FLEXIBLE EXPENSES

	Now	With House
Savings	250.00	
Groceries/Food Delivery	300.00	
Eating Out (work. etc.)	125.00	
Entertainment/Hobbies	75.00	
Laundry/Dry Cleaning	25.00	
Clothing	30.00	
Cleaning Supplies	10.00	
Auto Gas/Electric	230.00	
Auto Maintenance	25.00	
Ride Sharing or Service		
Parking/Tolls		
App Purchase	15.00	
Alcohol/Cigarettes	50.00	
Church/Charity		
Tuition/Books		
Barber/Salon Services	80.00	
Membership (Gym, etc.)		
Doctor/Dentist	40.00	
Pets		
Lottery/Bingo	100.00	
Lawn Care		
Maintenance/Repairs		
Other		
Total Flexible (D)	$ 1,355.00	$ 0.00

EXPENSES

	Now	With House
Fixed (B)	1,738.00	0.00
Debt (C)	959.00	0.00
Flexible (D)	1,355.00	0.00
Total Expenses (E)	$ 4,052.00	$ 0.00

Subtract Expenses from Income (A - E)

	Now	With House
Total Income (A)	4,200.00	0.00
Total Expenses (E)	4,052.00	$ 0.00
Difference + or -	$ 148.00	$ 0.00

Applicants Signature: ______________________

Applicants Signature: ______________________

CERTIFICATION: I hereby certify that I have reviewed the above budget with the applicant(s) and concur that it is reasonable

Lender or Counselor Signature: ______________________

Estimate Your "With a House" Expenses

HOUSEHOLD SPENDING & SAVINGS PLAN

FAMILY SIZE	
Adult	2
Children	1

NET MONTHLY INCOME		*with house*
Source 1	2,900.00	2,900.00
Source 2	1,300.00	1,300.00
Source 3		
Total Income (A)	4,200.00	4,200.00

FIXED EXPENSES		*with house*
Rent / Mortgage	1,000.00	$1,500.00
Electric	118.00	$118.00
Gas / Oil		$50.00

FLEXIBLE EXPENSES		
Savings	250.00	250.00
Groceries / Food Delivery	300.00	300.00
Eating Out	125.00	75.00
Entertainment / Hobbies	75.00	50.00
Laundry / Dry Cleaning	25.00	25.00
Clothing	30.00	
Cleaning Supplies	10.00	10.00
Auto Gas / Electric	230.00	200.00
Auto Maintenance	25.00	25.00
Ride Sharing or Service		
Parking / Tolls		
App Purchase	15.00	10.00
Alcohol / Cigarettes	50.00	50.00
Church / Charity		
Tuition / Books		
Barber / Salon Services	140.00	140.00
Membership (Gym, etc.)		

Having a house is great, but you need to understand how much you'll be spending. Now that you know what your recurring expenses are, you can fold in the additional expenses you may have if you decide to buy a home.

A sample "With House" Spending and Savings Plan is available on page 13.

When you begin to fill out the columns for "With House," **don't worry if you don't know the exact figures**. Take some educated guesses or ask around for help about what some expenses like electricity or homeowners fees might be. This will help you begin to assess some of the additional expenses that you are likely to incur as a homeowner.

In addition to your mortgage payment, as a homeowner you may be responsible for expenses such as:

- Water/sewer.
- Electricity.
- Maintenance and repairs.
- Homeowners association fees.

PRO TIP

If you have already spoken to a mortgage lender, you can use the house payment figure they provided as a starting point for your housing cost. **However, you may not be comfortable paying the amount the lender approved for you.** You will learn more about determining your comfort level in an upcoming section.

SAMPLE "WITH HOUSE" HOUSEHOLD SPENDING & SAVINGS PLAN

FAMILY SIZE

Adults	2
Children	1

NET MONTHLY INCOME

	Now	With House
Source 1	2,900.00	2,900.00
Source 2	1,300.00	1,300.00
Source 3		
Total Income (A)	$ 4,200.00	$ 4,200.00

FIXED EXPENSES

	Now	With House
Rent/Mortgage	1,000.00	1,300.00
Electric	118.00	118.00
Gas/Oil		50.00
Water/Sewer		100.00
Cell/Home Phone	150.00	150.00
Streaming Services	15.00	40.00
Internet Service	75.00	75.00
Trash Pickup		
Television Services	125.00	50.00
Medical Insurance		
Auto Insurance	115.00	115.00
Life Insurance		
Renter/Home Insurance	40.00	50.00
Child Support/Alimony		
Child Care	100.00	100.00
HOA/Condo Fees		
Other		
Total Fixed (B)	$ 1,738.00	$ 2,148.00

DEBT PAYMENTS

	Now	With House
Automobile Loan	300.00	300.00
Other Loans (Personal, furniture, etc.)	80.00	80.00
Student Loans	250.00	250.00
Major Credit Cards	134.00	134.00
Other Purchase Cards (Dept. store, Gas etc.)	195.00	100.00
Total Debt (C)	$ 959.00	$ 864.00

FLEXIBLE EXPENSES

	Now	With House
Savings	250.00	250.00
Groceries/Food Delivery	300.00	300.00
Eating Out (work. etc.)	125.00	60.00
Entertainment/Hobbies	75.00	50.00
Laundry/Dry Cleaning	25.00	25.00
Clothing	30.00	
Cleaning Supplies	10.00	10.00
Auto Gas/Electric	230.00	200.00
Auto Maintenance	25.00	25.00
Ride Sharing or Service		
Parking/Tolls		
App Purchase	15.00	10.00
Alcohol/Cigarettes	50.00	50.00
Church/Charity		
Tuition/Books		
Barber/Salon Services	80.00	60.00
Membership (Gym, etc.)		
Doctor/Dentist	40.00	40.00
Pets		
Lottery/Bingo	100.00	25.00
Lawn Care		50.00
Maintenance/Repairs		25.00
Other		
Total Flexible (D)	$ 1,355.00	$ 1,180.00

EXPENSES

	Now	With House
Fixed (B)	1,738.00	2,148.00
Debt (C)	959.00	864.00
Flexible (D)	1,355.00	1,180.00
Total Expenses (E)	$ 4,052.00	$ 4,192.00

Subtract Expenses from Income (A - E)

	Now	With House
Total Income (A)	4,200.00	4,200.00
Total Expenses (E)	4,052.00	$ 4,192.00
Difference + or -	$ 148.00	$ 8.00

Applicants Signature: ______________________

Applicants Signature: ______________________

CERTIFICATION: I hereby certify that I have reviewed the above budget with the applicant(s) and concur that it is reasonable

Lender or Counselor Signature: ______________________

Some Ways to Manage Spending Money:

Allocate a specific dollar amount for miscellaneous spending (clothing, dining out, etc.) in your plan.

Give yourself an eating out budget of $25 a week. That includes lunch while you're at work, a coffee on Saturday morning, or pizza with the family. Planning how to spend your $25 might encourage you to pack a lunch for work or make your own coffee so you can enjoy a family night out.

Reduce the amount you spend on a particular habit or activity.

If you go to the movies or rent one every weekend, it can add up. Try to see a "pay" movie every other weekend instead.

Eliminate the expense altogether.

Shopping is fun, especially when it seems like there is always something new to buy. Instead of going to the store or mall, try another activity that's free and remember that the money your new shirt would have cost is going right into your bank account.

Watch Those Dimes and Dollars

Here are some easy ways to track every penny you spend so you can see where your money goes:

- Use a small notebook (one that can fit in your pocket or purse).
- Tap into a smartphone app that tracks your daily expenses.
- Carry a business-size envelope to save receipts, or use smartphone features or apps that can copy your receipts or scan the bar codes and store them on your phone.
- Ask your bank. Some banks and credit unions offer automatic expense tracking so you see and track how much you're spending and on what items.

Develop Good Saving Strategies

Part of a good Spending and Savings Plan is putting away money in an account for emergencies and expenses you don't expect.

Experiences such as a loss of income and/or a paycheck reduction are often out of your control. Having money in an emergency savings account is a critical part of managing your personal finances and a way to deal with the stress of a money shortage.

Remember, as a homeowner you never want to face foreclosure. And a savings account can be very helpful if you find yourself short and need to make a mortgage payment.

Developing a Savings Habit Takes Time and Persistence

Make a decision to "pay yourself first" by committing to save a certain amount or percentage of your monthly income in your designated emergency savings account on a regular basis.

An emergency savings fund is separate from any other savings account. It is a safety net for unforeseen expenses such as:

- Reduction in pay.
- Loss of employment.
- Unpaid medical leave.
- Unexpected car repair.

If your monthly housing expenses are $3,000, you will need at least $9,000 in an emergency savings fund. You can build up your savings over time to meet your emergency fund goal. **Keep in mind, the more you apply to your savings, the faster you can reach your goal.**

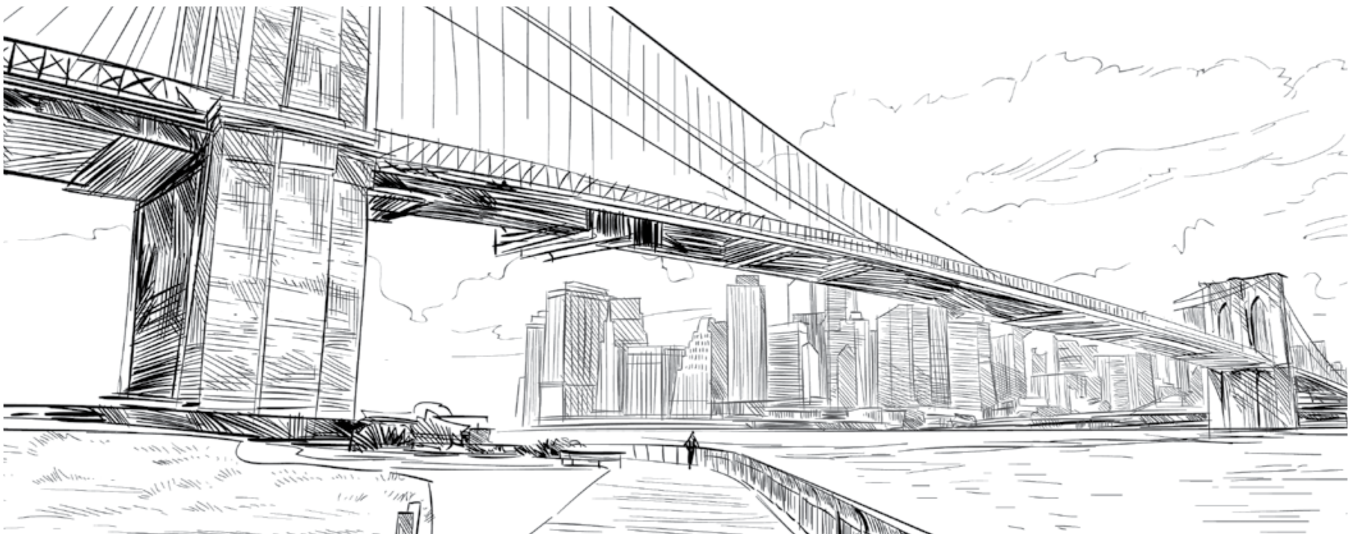
How much should I save?

A good rule of thumb is to save three to six months' worth of living expenses, but sometimes that may not be enough. On average, three to six months of living expenses could range from $5,000 - $15,000, depending on your monthly expenses. If you're able, you might want to think about expanding the amount of your emergency savings.

Build Your Own Savings Strategy

Sometimes developing a savings strategy can be hindered by things we believe are barriers to meeting our savings goals. However, having a good savings strategy, such as using direct deposit through your employer or setting up automatic transfers with your bank or credit union, can reduce the temptation to stray from your plan.

Let's Turn Your Barriers Into Bridges!



Start With a Spending and Savings Plan

A Spending and Savings Plan helps you see how the money that comes into your household bank account is used for paying expenses and bills. When you have a plan, it becomes increasingly clear where you stand financially every month and helps you recognize the areas where you can cut back on spending and increase savings.

Change How You Think About Saving

Stay motivated, remain positive and stay on track with your savings goals. Connect yourself with people who share similar financial goals so you can be a support for each other. Avoid making purchases to impress others.

Decrease Debt

Saving may not feel like an option when debt is weighing heavily on you. But, paying off your debt will eventually free up funds for building your savings for your new home or your emergency fund.

PRO TIP

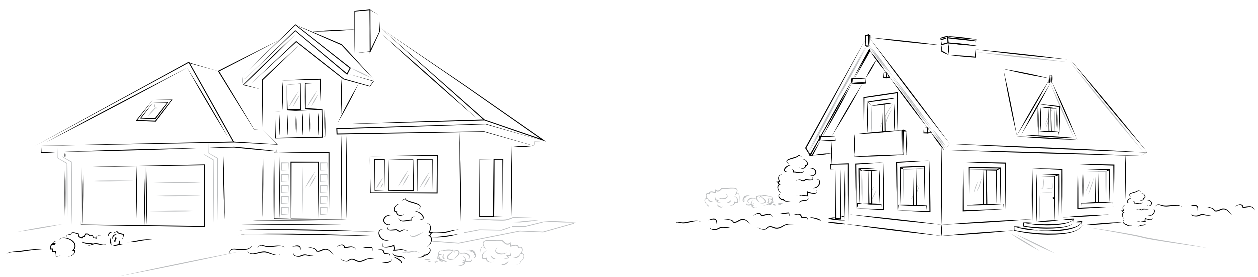
Don't mix your emergency funds with other savings goals such as your down payment on your house or your closing costs. By leaving the emergency funds separate, you'll be sure they're there if you need them.

Determine Your Comfort Level With Debt

When creating a workable Spending and Savings Plan that suits your lifestyle and particular situation, it's important to identify and understand what your comfort level is for a house payment.

Your lender (the bank or mortgage company) does not consider all your expenses when they determine your pre-approval amount, so it's up to you to work with your Spending and Savings Plan to determine what amount is appropriate for your situation. (Pre-approval is covered in Chapter 3, "Working With the Lender".)

EXAMPLE:



Your lender approved you for a maximum house payment of $1,000 a month. But when you figured your monthly amounts in the "With House" column of your Spending and Savings Plan, you can see you don't have enough income to cover your other expenses with the $1,000 mortgage payment. Based on your Spending and Savings Plan, you may feel comfortable with only a $900 payment.

It's much better to know what your comfort level is **before** you sign a mortgage loan agreement, rather than having to struggle later with a payment that is too high.

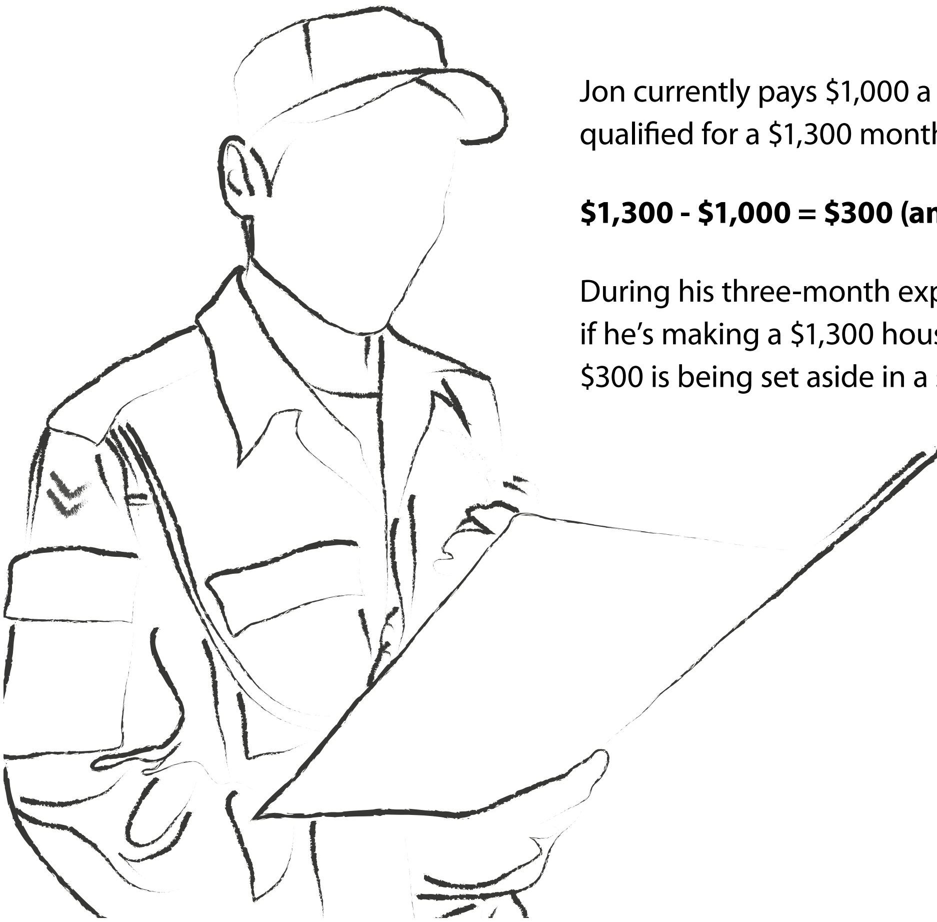
Here's another test to see if you're comfortable with your potential mortgage payment:

Subtract your current housing payment from your proposed mortgage payment (determined either from the mortgage ready worksheet included on page 79 or from a mortgage lender) and **then try to save the difference for three months**.

First-time Homebuyer Savings Plan

A first-time Homebuyer Savings Plan allows any Virginian to set aside up to $50,000 toward the costs of closing on a new home. The earnings on those funds, interest and capital gains, are free from Virginia state taxes. First-time Homebuyer Savings Plans are designed for future homeowners to start saving early for the costs of buying a home. To find out more, visit tax.virginia.gov/first-time-home-buyer-savings-accounts-guidelines.

EXAMPLE:



Jon currently pays $1,000 a month for rent. He's been qualified for a $1,300 monthly mortgage payment.

$1,300 - $1,000 = $300 (amount to be saved)

During his three-month experiment, Jon will feel as if he's making a $1,300 house payment, even though $300 is being set aside in a savings account.

PRO TIP

If you find you don't miss the extra money you are putting into your savings account and you have not withdrawn any of it to cover expenses, then the proposed mortgage payment might be reasonable for you.

However, if you find you need to withdraw even small amounts to cover expenses, then you should consider a lesser amount for your future mortgage payment.

Don't Buy Anything on Credit Before Closing

As you begin to look at potential properties, you may feel tempted to buy things for your new home. Although you may want something like new furniture, **making large credit purchases before closing on your mortgage loan can be disastrous**.

Purchases made on credit, even those that have terms such as "one year, no payments or no interest," will affect your credit score and debt-to-income ratio (which determines how much house the lender determines you can afford).

It's possible to throw off your score and/or ratios enough to be denied the loan. You'll then find yourself with new furniture, appliances or other purchases and no home to put them in.

Most lenders are required to track or review your credit behavior after you've been approved for a mortgage but haven't yet gone to closing.

If new credit inquiries appear on your credit report prior to closing, lenders must check them out to determine whether any new debt might require the re-underwriting of the originally quoted terms.

It's also very important to avoid making any major purchases for the first six to 12 months **after** buying your home. You and your Spending and Savings Plan will need some time to adjust to your new home and the expenses associated with it. It may take several months before you truly know what your average utility bills will be, and there may be some expenses that won't need to be paid every month.

What If…	Possible Results
I purchase a new car prior to closing? I make a large credit card purchase prior to closing? (Furniture, appliances, etc.) I start a new line of credit? I purchase a timeshare?	• **Debt-to-income increase.** • **Lower credit score.** • **Lower mortgage offer.** • **No longer qualify for loan.**
A creditor pulls my credit report?	• **Lower credit score.** • **No longer qualify for loan.**

Beware of Junk Mail

As a new homeowner you will probably find multiple solicitations in your mailbox daily from companies wanting to give you a loan for one thing or another. **Beware of the automatic loan checks that you may begin to receive in the mail.**

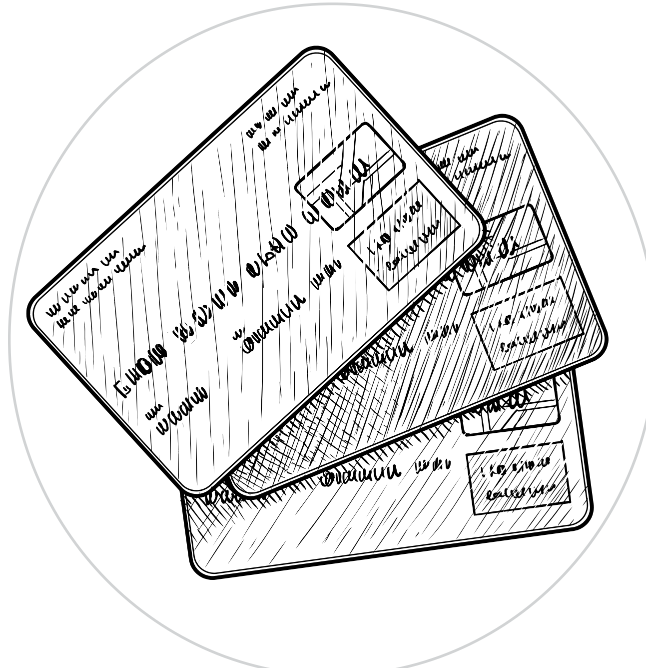
Companies will tempt you with an actual check that you simply need to endorse and cash. By signing the check, you create a debt, which may have a very high interest rate or other detrimental terms. It's very easy to become overextended with debt, so careful planning and caution are crucial.

PRO TIP

Pay attention when throwing away what appears to be junk mail from companies you have credit accounts with. Creditors are required to send you Privacy Act notifications, along with instructions for "opting out" of having your non-public information shared with other businesses. Sometimes the creditor will provide a telephone number you may call, or may have a form that you sign and return, which directs them not to share your non-public information. **Read everything carefully.**

Manage and Reduce Your Debt

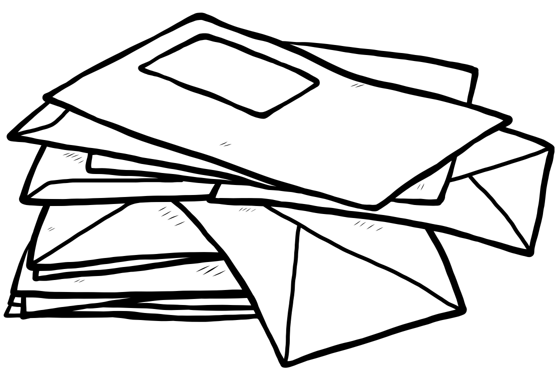
Anyone can become overextended with debt or credit. The average American adult carries at least two credit cards with a balance, and is likely paying only the minimum required payment.



You need to know that excessive debt or credit can cause difficulties when applying for a mortgage loan.

Although credit card interest rates vary, typically a hefty portion of a monthly payment is applied to the finance charge, leaving only a small amount to actually reduce the balance. This can be become very frustrating, especially if you have been told by a housing counselor or lender that you need to reduce your debt to qualify for a mortgage loan.

Promises of low introductory interest rates are often used to lure customers. However, those rates are often temporary and the rate can increase, sometimes dramatically, after the introductory period is over.



5 Steps to Managing and Reducing Your Debt

1. Pay your bills on time.
2. Pay extra on installment loans.
3. Pay down credit cards (use the Power Payment technique).
4. Ask creditors for a lower interest rate.
5. Seek help from a Certified Housing Counselor.

Using the Power Payment Method

When you apply an extra amount of money each month to one or two of your debts, you can see how quickly the balance drops. We call this a Power Payment.

You do not have to apply large amounts of money to see the results. Even $5 or $10 per month can make a big difference. That's the beauty of a Power Payment.

EXAMPLE:

Jane has a credit card with a $1,000 balance and her minimum monthly payment is $20. If Jane makes her minimum payment each month and never uses the card again, her debt will be paid off in **seven years**.

Jane does not want to make payments for that long, so she makes a Power Payment of **$10 more** each month toward her credit card debt. Now Jane is making a $30 monthly payment and her debt will be paid off in just **three years**!

How to Use Power Payments

When paying down multiple credit cards, instead of spreading your extra payment between each account, apply it all to the card with the highest interest until it is paid off.

EXAMPLE:

Step 1. The minimum payment is $100 on your highest interest card. Add an additional $50 to that payment. Now it's $150.

Step 2. Pay $150 on that card until it's paid in full, while continuing to pay the minimum payment on your other cards.

Step 3. Once that card balance is paid in full, apply that $150 you were paying on that card to your next card payment. The $225 you were paying on that card is now $375. Pay that amount until it's paid off.

Step 4. Once that card balance is paid off, add that payment of $375 to the next card. The $75 you were paying is now $450. Pay that amount until the balance is paid off.

The Power Payment method can be used regardless of the number of credit cards you have.

The tremendous impact of making Power Payments is even more evident when there is more than one debt to be paid off. Your commitment to the process takes discipline, but the reward can mean dramatically accelerating your debt payoff. Power Payments can also help you pay off installment debt.

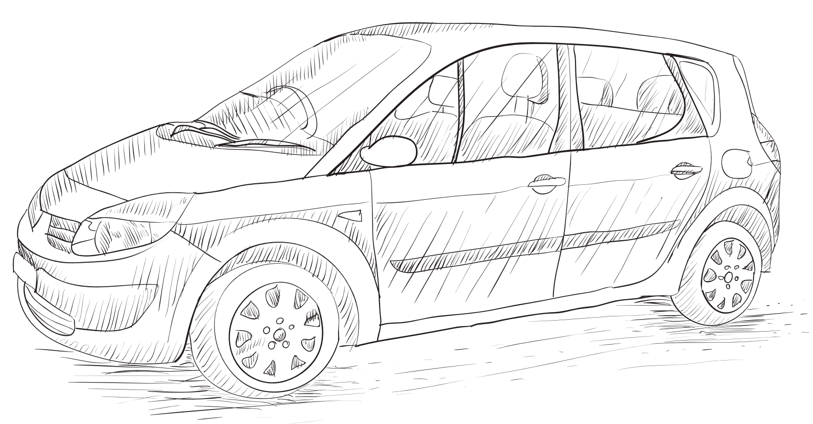
What is installment debt?

This is a debt or loan that has a specific payment amount of a specific number of months. A good example of this is a car payment. Usually a car loan is for a certain number of months with a set payment due each month (example: $400 per month for 36 months).

If your payment is paid earlier than the due date, you will pay back less interest because the debt will be paid in full before the due date. If you increase the payment and pay a few days before the monthly payment is due, you could pay off the debt as much as six to 12 months early.

PRO TIP

Visit powerpay.org.
This free site, created by the Utah Cooperative Extension System, provides tools to evaluate your debt and help you strategically use the Power Pay system on your own. The website also provides resources to help with your Spending and Savings Plan.



You’re On Your Way!

In this chapter, you’ve learned about:

- Creating a workable Spending and Savings Plan for your household.
- Becoming aware of where you spend money (especially cash).
- Keeping your spending to a minimum.
- Reducing your debts.

It’s a lot to take on, but you can do it! Remember, there are Housing and Credit Counselors in your community ready to help you work through your financial issues.

Certified Housing Counselors can help you:

- Create your Spending and Savings Plan.
- Resolve credit issues.
- Formulate an action plan.

Forms discussed in this chapter:

- Household Monthly Spending Plan.

Helpful Resources

Many organizations offer counseling at no charge. You may find their services valuable as you prepare yourself financially for homeownership. Some agencies also provide assistance and guidance after you have purchased your home.

- The Department of Housing and Urban Development (HUD) has a website that lists HUD-approved housing counseling agencies by state. For more information, or to locate a Certified Housing Counselor near you, call 1-800-569-4287 or visit their website at hudexchange.info/programs/housing-counseling.

- VHDA's website has information on housing counseling and how a Certified Housing Counselor can help. Learn more at vhda.com/HousingCounselors.

- If you are in the military, please contact your Base Service Center for additional housing information and services.

HOUSEHOLD SPENDING & SAVINGS PLAN

FAMILY SIZE

Adults	______
Children	______

NET MONTHLY INCOME

	Now	*With House*
Source 1	______	______
Source 2	______	______
Source 3	______	______
Total Income (A)	______	______

FIXED EXPENSES

	Now	*With House*
Rent/Mortgage	______	______
Electric	______	______
Gas/Oil	______	______
Water/Sewer	______	______
Cell/Home Phone	______	______
Streaming Services	______	______
Internet Service	______	______
Trash Pickup	______	______
Television Services	______	______
Medical Insurance	______	______
Auto Insurance	______	______
Life Insurance	______	______
Renter/Home Insurance	______	______
Child Support/Alimony	______	______
Child Care	______	______
HOA/Condo Fees	______	______
Other	______	______
Total Fixed (B)	______	______

DEBT PAYMENTS

	Now	*With House*
Automobile Loan	______	______
Other Loans (Personal, furniture, etc.)	______	______
Student Loans	______	______
Major Credit Cards	______	______
Other Purchase Cards (Dept. store, Gas etc.)	______	______
Total Debt (C)	______	______

FLEXIBLE EXPENSES

	Now	*With House*
Savings	______	______
Groceries/Food Delivery	______	______
Eating Out (work. etc.)	______	______
Entertainment/Hobbies	______	______
Laundry/Dry Cleaning	______	______
Clothing	______	______
Cleaning Supplies	______	______
Auto Gas/Electric	______	______
Auto Maintenance	______	______
Ride Sharing or Service	______	______
Parking/Tolls	______	______
App Purchase	______	______
Alcohol/Cigarettes	______	______
Church/Charity	______	______
Tuition/Books	______	______
Barber/Salon Services	______	______
Membership (Gym, etc.)	______	______
Doctor/Dentist	______	______
Pets	______	______
Lottery/Bingo	______	______
Lawn Care	______	______
Maintenance/Repairs	______	______
Other	______	______
Total Flexible (D)	______	______

EXPENSES

Fixed (B)	______	______
Debt (C)	______	______
Flexible (D)	______	______
Total Expenses (E)	______	______

Subtract Expenses from Income (A - E)

Total Income (A)	______	______
Total Expenses (E)	______	______
Difference + or -	______	______

Applicants Signature: ______________________________

Applicants Signature: ______________________________

CERTIFICATION: I hereby certify that I have reviewed the above budget with the applicant(s) and concur that it is reasonable.

Lender or Counselor Signature: ____

Chapter 1 Quiz

1. **Select the flexible expenses from the following list. Flexible payment items are ones that you can change easily from month to month, such as how much you spend on clothing or hobbies.**

   A. Groceries, newspapers/magazines, entertainment, clothing.
   B. Child care, rent/mortgage, electric, telephone.
   C. Installment loans, automobile loans, credit card payments.

2. **Select additional expenses that a homeowner may incur, which should be included in a "with house" spending plan.**

   A. Gas/oil, medical insurance, auto maintenance.
   B. Child support/alimony, doctor/dentist, dining out.
   C. Trash pickup, maintenance/repairs, homeowners association fees, utilities.

3. **A Spending Plan consists of two parts:**

   A. Income and expenses.
   B. Debts and income.
   C. Fixed and flexible expenses.

4. **Steps to prepare for future homeownership include:**

   A. Create a workable Spending Plan for your household.
   B. Become aware of where you spend money (especially cash).
   C. Keep your spending to a minimum.
   D. Reduce your debts.
   E. All of these.

5. **A good savings habit is to use direct deposit through your employer, reducing the temptation to spend.**

   ☐ True ☐ False

6. **Maintaining a separate savings account for large purchases a home down payment will make reaching your savings goal easier.**

   ☐ True ☐ False

7. **It is wise to purchase new home furnishings on credit immediately after moving to a new home.**

   ☐ True ☐ False

8. **You should have nine to twelve months of living expenses saved for unforeseen expenses.**

   ☐ True ☐ False

9. **Making power payments on one debt at a time will help reduce your overall debt faster.**

   ☐ True ☐ False

10. **Consumers will periodically receive Privacy Act notices in the mail that allow them to "opt out" of having their non-public information shared with other companies.**

    ☐ True ☐ False

11. **Equity is the difference between the value of your home and the amount of money you owe on it.**

    ☐ True ☐ False

12. **With a fixed interest loan, the principal and interest payments change during the life of your loan.**

    ☐ True ☐ False

13. **Having money in an emergency savings account is a critical part of managing your personal finances.**

    ☐ True ☐ False

14. **Purchases made on credit, even those that have terms such as "one year, no payments or no interest," will affect your credit score and debt-to-income ratio. This could result in the re-underwriting of the originally quoted terms.**

    ☐ True ☐ False

15. A potential homebuyer learns that a monthly mortgage payment will be $300 greater than what he currently pays for rent. Over a three-month period, he should save $750 to determine his comfort level with the anticipated payment amount.

☐ True ☐ False

16. The key to a successful Spending and Savings Plan is to make sure to include every expense.

☐ True ☐ False

17. It is important to determine what your comfort level is for a house payment at the beginning of the home buying process.

☐ True ☐ False

18. Advantages of home ownership include:

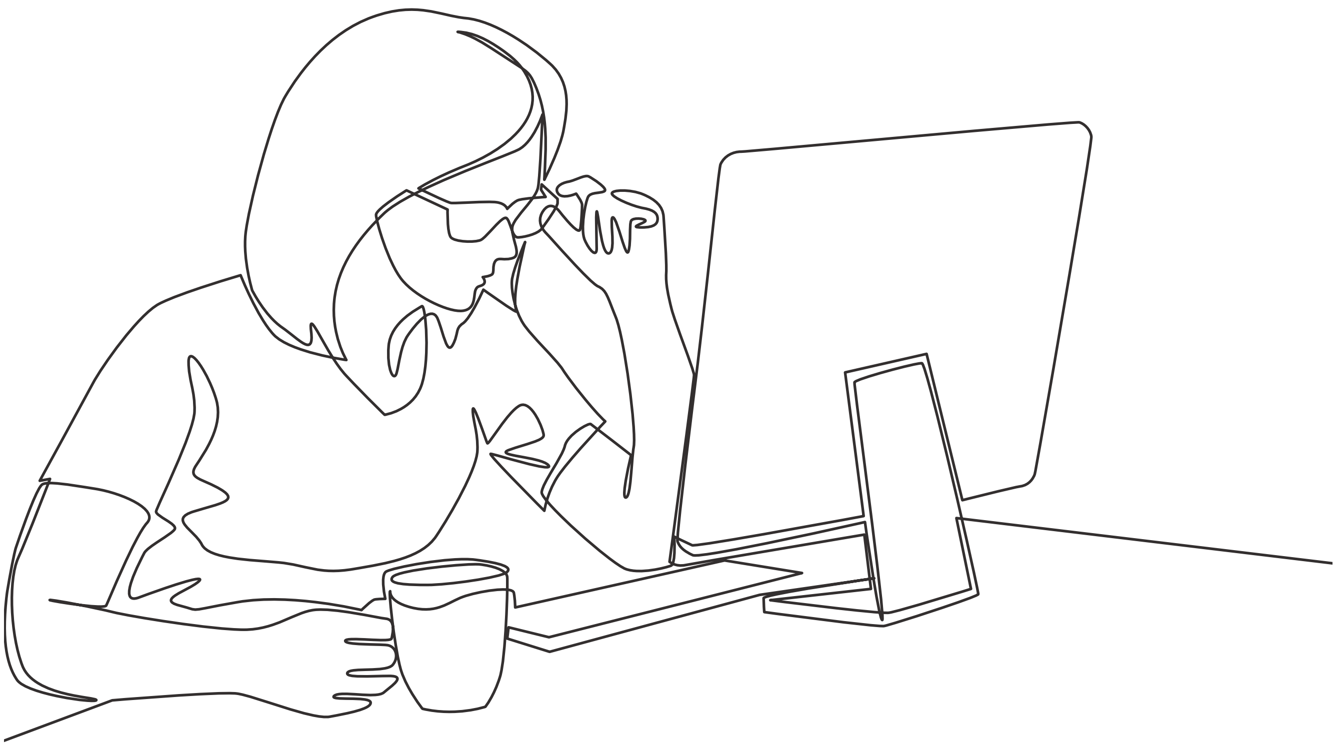
A. Wealth building.
B. Potential tax benefit.
C. Stable housing cost.
D. All of the above.

19. Taking advantage of an automatic loan check that may come in the mail to a new homeowner will create a loan that may have a high interest rate and other detrimental terms.

☐ True ☐ False

Answer Key:

1.	A	5.	True	9.	True	13.	True	17.	True
2.	C	6.	True	10.	True	14.	True	18.	D
3.	A	7.	False	11.	True	15.	False	19.	True
4.	E	8.	False	12.	False	16.	True		



Credit: the good, the bad and the improved

Chapter 2

Like it or not, credit is a significant part of our lives. Anything that has to do with loans, credit, or savings becomes a part of your financial history.

And, if you're thinking about becoming a homeowner, good credit is important. So, you need to use yours wisely.

Your credit score can make it easier or more difficult to get approval for a mortgage, car loan, or credit card. It can also impact things like your ability to qualify for a job or the price you are charged for insurance. Making smart financial decisions to strengthen and safeguard your credit will benefit you now and in the future.

In this chapter, you'll learn about:

- What credit is and why it's important.
- Reading and understanding your credit report.
- How you can improve your credit score.

Credit Reporting Agencies: Understanding the Big Three

Your credit history (including your bill payment history, your current loan payments, etc.) is captured in a credit report. Almost every lender uses credit reports to qualify potential borrowers. That is why anyone who has ever borrowed, or tried to borrow, money from any creditor usually has a credit history with one, if not all, of the three major credit reporting agencies.

Credit reporting agencies don't approve or deny credit, they only collect and report information.

You should know that not all creditors report to any (or all) of the credit agencies; some creditors only report to one.

This typically creates three different credit reports with the three major credit reporting agencies, Equifax, TransUnion and Experian. Each agency covers different areas of the country.

PRO TIP

If you have been denied a job, insurance or credit because of a negative credit report within the past 60 days, you are entitled to receive a free credit report upon request.

Keep in mind that creditors who do not regularly report credit information may decide to report if you are late, miss or stop payments. This could have a negative impact on your credit history and lower your score.

Usually, both creditors and consumers have to pay to access credit reports. But there are a few exceptions.

A consumer may be entitled to a free copy of their credit report if:

- Credit, employment or insurance has been denied due to information in the credit report.
- The consumer is unemployed.
- The consumer is receiving public assistance.

Your Free Annual Credit Report

Under the Fair and Accurate Credit Transaction Act (FACT Act), you can ask to receive one free credit report every 12 months from each of the major credit reporting agencies.

You should take advantage of the FACT Act and view all three of your credit histories at least once a year to determine if the information reported is correct.

You'll need to decide whether you want to order all three of your credit reports at the same time. The advantage of ordering all three is that you can easily compare them, but remember that you won't be eligible for another free credit report for 12 months.

On the other hand, it's a good idea to space your requests out rather than requesting all three reports at the same time. That way you can keep track of any changes or new information that may appear on your credit report and develop the habit of monitoring your credit report on a regular basis.

EXAMPLE:

Order a new report every four months:

- In January, request your report from Equifax.
- In May, request your report from TransUnion.
- In September, request your report from Experian.

How to Request Your Free Report

The three credit bureaus—Equifax, TransUnion, and Experian—are required by federal law to provide you with a free annual credit report. In fact, AnnualCreditReport.com was created by the credit bureaus as a one-stop-shop for providing your annual credit reports.

Credit reports are still the number one tool used by creditors to determine creditworthiness. A consumer must give written or verbal permission for their credit report to be pulled.

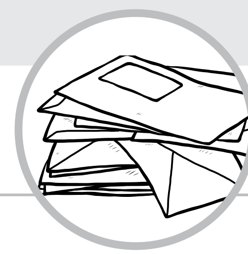
PRO TIP

The only authorized website for free credit reports is annualcreditreport.com. You will need to provide your name, address, social security number and date of birth to verify your identity.

3 Easy Ways to Request Your Free Credit Report

Visit annualcreditreport.com to see, print and download your credit report.

Call 877-322-8228 and complete a simple verification process. You'll need to allow two to three weeks for delivery of your credit report.



Download a request form at annualcreditreport.com. Print, fill in and mail your completed form to:

Annual Credit Report
Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

EQUIFAX experian TransUnion

Annual Credit Report Request Form

You have the right to get a free copy of your credit file disclosure, commonly called a credit report, once every 12 months, from each of the nationwide consumer credit reporting companies, Equifax, Experian and TransUnion.

For instant access to your free credit report, visit www.annualcreditreport.com.

For more information on obtaining your free credit report, visit www.annualcreditreport.com or call 877-322-8228.

Use this form if you prefer to write to request your credit report from any, or all, of the nationwide consumer credit reporting companies. The following information is required to process your request. **Omission of any information may delay your request.**

Once complete, fold (do not staple or tape), place into a #10 envelope, affix required postage and mail to: Annual Credit Report Request Service P.O. Box 105281 Atlanta, GA 30348-5281.

Please use a Black or Blue Pen and write your responses in PRINTED CAPITAL LETTERS without touching the sides of the boxes like the examples listed below:

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z   0 1 2 3 4 5 6 7 8 9

Social Security Number: ___ ___ ___ - ___ ___ - ___ ___ ___ ___

Date of Birth: ___ ___ / ___ ___ / ___ ___ ___ ___

Month **Day** **Year**

Fold Here — Fold Here

First Name **M.I.**

Last Name **JR, SR, III, etc.**

Current Mailing Address:

House Number **Street Name**

Apartment Number / Private Mailbox **For Puerto Rico Only: Print Urbanization Name**

City **State** **ZipCode**

Previous Mailing Address (complete only if at current mailing address for less than two years):

House Number **Street Name**

Fold Here — Fold Here

Apartment Number / Private Mailbox **For Puerto Rico Only: Print Urbanization Name**

City **State** **ZipCode**

Shade Circle Like This → ●

Not Like This → ⊗ ✓

I want a credit report from (shade each that you would like to receive):

- ○ **Equifax**
- ○ **Experian**
- ○ **TransUnion**

○ **Shade here if, for security reasons, you want your credit report to include no more than the last four digits of your Social Security Number.**

31238

If additional information is needed to process your request, the consumer credit reporting company will contact you by mail.

Your request will be processed within 15 days of receipt and then mailed to you.

Understanding Your Credit Report

It can seem intimidating at first glance, but reading your credit report is really simple. Your credit report is a record of your credit activity and credit history. It keeps a record of your financial reliability.

Each Credit Report Contains Five Main Sections:

1. Personal Information.
2. Public Records.
3. Potentially Negative Accounts.
4. Creditor/Account Info.
5. Inquiry (Hard/Soft).

PRO TIP

If you have a suffix associated with your name, such as Jr., always use it when applying for credit or signing other legal documents. This simple step helps ensure positive identity and prevents potential mix-ups with the report of the person with a similar name.

Personal Information Section

The Personal Information section always includes your name(s), address and Social Security number. Other information, such as an employment history and birth date may also be included.

It's important to review all information carefully to be sure it is being reported accurately.

Public Records Section

The Public Records section shows any credit-related issues processed through the court systems. This could include any of the following:

- Judgments on a credit report must be paid in full and noted as "satisfied." Judgments remain on a report for a minimum of seven years from the date filed. However, unpaid judgments can re-file with the court. **It is extremely important to keep good records, especially receipts for paid judgments**.
- Tax liens, whether federal or state, must be paid in full before applying for a mortgage. A Certified Housing/Credit Counselor can help you establish a repayment plan.

- Bankruptcy is a legal procedure designed to protect both an individual who can't meet their financial obligations and the creditors involved.

  Chapter 7 Bankruptcy (known as a liquidation bankruptcy) wipes out all debt included in the discharge and stays on a credit report for 10 years from date of discharge.

  Chapter 13 Bankruptcy (known as reorganization bankruptcy) is a reorganization of debt and stays on a credit report for 7 years from date of filing. You are given a court-approved repayment plan that lasts for either three or five years. If you complete the repayment plan and are current with all your debt payments, you will be able to hold onto your property.

  Means Test: The Bankruptcy Code requires people who want to file Chapter 7 bankruptcy to demonstrate that they do not have the means to repay their debts. The test takes into account information such as income, assets, expenses and unsecured debt. If a debtor fails to pass the means test, their Chapter 7 bankruptcy may either be dismissed or converted into a Chapter 13 proceeding.

- **Delinquent Child Support Payments** that are paid to the Division of Child Support Enforcement may be reported on your credit history. You won't be able to qualify for a mortgage loan until any child support delinquencie have been paid in full. It's important to retain all paperwork regarding transactions and payment history for any delinquent child support.

- **Federal Debt** such as defaulted student loans must be brought current before a mortgage loan can be obtained. Certified housing/credit counselors can assist in setting up a payment plan for student loans.

STUDENT LOAN REHABILITATION

One option for getting your loan out of default is loan rehabilitation. To rehabilitate a defaulted student loan(s), you must:

- Make nine voluntary, reasonable, and affordable monthly payments (as determined by your loan holder) within 20 days of the due date.
- Make all nine payments during a period of 10 consecutive months.

For more information visit: https://studentaid.ed.gov/sa/repay-loans/default/get-out.

Potentially Negative Accounts Section

The Potentially Negative Accounts section lists debts that a creditor has sold to a collection agency when an account became past due. The U.S. Fair Credit Reporting Act of 1997 requires the credit reporting agency to provide specific account information including:

- The original creditor.
- The date the account was purchased.
- The amount of debt that was purchased.
- A portion of the original account number.

A collection account remains on a credit report for seven years from the **date of last activity**, which could be either the date the account transfers or the date of the last payment.

Credit Account Sections

The **Account** sections includes an updated report provided each month by most creditors to one or more of the three major credit-reporting agencies. This report lists your

PRO TIP

Re-establishing a relationship with the creditor of a collection account that was removed after the seven-year threshold can cause the collection to be placed back on your credit report and restarts the seven years. (Example: making payment arrangements.)

current and past credit by account type, such as credit card, mortgage, student loan, or auto loan. A sample credit report is available on page 40.

Credit report information may include:

- Account Name (ex. Chase Card).
- Account Number (ex. 1234XXXX).
- Account Type (ex. Credit Card).
- Owner (ex. Individual).
- Date Opened.
- Date Reported.
- Status (ex. Paid as Agreed/Current).
- Date of Last Activity.
- Months Reviewed.
- Scheduled Payment.
- Actual Payment Amount.
- High Credit.
- Credit Limit.
- Highest Balance.
- Term Duration.
- Date Closed.

GOOD TO KNOW

All creditor information remains on your credit report for **seven years** from the date of last activity (also known as "status update").

Account Ownership and Responsibility

Each creditor lists the type of ownership:

- **Authorized User:** an authorized user is permitted, by the person responsible for paying the debt, to make charges on a credit account, but is not responsible for repayment.
- **Individual:** only one individual is responsible for repayment.
- **Joint:** two or more individuals are responsible for repayment.
- **Co-signer:** This individual is responsible for repayment for someone else's debt if the primary payor defaults. That loan will appear on each person's credit report, along with the payment history.

SAMPLE CREDIT REPORT

LEAH HOMEBOUND

Report Date: July 30, 2019

Report Confirmation: **0123456789**

Report confirmation number:
You will need your report number when contact the credit reporting

Account Information:
Information submitted by your creditors. Includes potentially negative items and closed accounts. It also includes the creditor's name & address, your account number, and the status of that account.

ACCOUNT INFORMATION

Revolving Accounts

Revolving accounts are those that generally include a credit limit and require a minimum monthly payment, such as credit cards.

1st CHANCE BANK

Summary
Your debt-to-credit ratio represents the amount of credit you are using and generally makes up a percentage of your credit score. It's calculated by dividing an account's reported balance by its credit limit.

Account Number	**xxxxxx0012345**	**Reported Balance**	**$600**
Account Status	PAYS_AS_AGREED	**Debt-to-credit Ratio**	30%
Available Credit	$2,000		

Account History
The tables below show up to 2-years of the monthly balance, available credit, scheduled payment, date of last payment, high credit, credit limit, amount past due, activity designator, and comments.

Balance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018										$25	$225	$475
2019	$700	$567	$525	$444	$700	$626	$600					

Available Credit

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018							$2000			$1,975	$1,775	$1,525
2019	$1,300	$1,433	$1,475	$1,556	$1,300	$13,74	$1,400					

Scheduled Payment

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018										$20	$20	$20
2019	$40	$40	$40	$40	$40	$40	$40					

Actual Payment

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018										$20	$20	$20
2019	$160	$40	$40	$100	$150	$40	$40					

Amount Past Due

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018												
2019												

> ***Payment History:***
> *Indicates current and previous years' status of the account on a monthly basis. The "Rating Key" identifies the status types.*

Payment History

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	✓	✓	✓	✓	✓	✓	✓					
2018	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	✓	✓	✓

Rating Key

✓ **Paid on Time**	**30 30 Days Past Due**	**60 60 Days Past Due**	**90 90 Days Past Due**	**120 120 Days Past Due**
150 150 Days Past Due	**180** 180 Days Past Due	**V** Voluntary Surrender	**F** Foreclosure	**C**
CO Charge-Off	**B** Included in Bankruptcy	**R** Repossession	**TN** Too New to Rate	XXX No Data Available

Account Details

> ***Account Details:***
> *Gives detailed information about the account such as "Account Type" and "Amount Past Due".*

High Credit	**$2000**	**Owner**	**Individual**
Credit Limit	$2000	**Account Type**	REVOLVING
Terms Frequency	Monthly	**Term Duration**	0
Balance	$600	**Date Opened**	Jul 14, 2018
Amount Past Due		**Date Reported**	Jul 20, 2019
Actual Payment Amount	$40	**Date of Last Payment**	Jul 01, 2019
Date of Last Activity		**Scheduled Payment Amount**	$40
Months Reviewed	10	**Delinquency First Reported**	
Activity Designator		**Creditor Classification**	UNKNOWN
Deferred Payment Start Date		**Charge Off Amount**	
Balloon Payment Date		**Balloon Payment Amount**	
Loan Type	Credit Card	**Date Closed**	
Date of First Delinquency			

Comments:

Contact: 1st CHANCE CARD
333 N. NUCKLES ST.
WILMINGTON, DE 99999
1-888-888-8888

Installment Accounts

> ***Installment Accounts:***
> *Loans that require payment on a monthly basis until the loan is paid off, such as auto or student loans.*

SAMMIE ED

Your debt-to-credit ratio represents the amount of credit you are using and generally makes up a percentage of your credit score. It's calculated by dividing an account's reported balance by its credit limit.

Account Number	**xxxxxx054321**	**Reported Balance**	**$8,905**
Account Status	PAYS_AS_AGREED	**Debt-to-credit Ratio**	63%
Available Credit			

Account History

The tables below show up to 2-years of the monthly balance, available credit, scheduled payment, date of last payment, high credit, credit limit, amount past due, activity designator, and comments.

Balance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017					$14,202		$13,537		$13,154	$12,965	$12,787	
2018	$12,450	$12,260	$12,208	$12,018	$11,823	$11,629	$11,431	$11,234	$11,035	$10,939		$10,423
2019	$10,219	$10,011	$9,792	$9,580	$9,355	$9,133	$8,905					

Scheduled Payment

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017					$302		$303		$303	$303	$303	
2018	$305	$305	$305	$306	$307	$307	$308	$308	$308	$309		$309
2019	$310	$310	$310	$310	$310	$310	$310					

Actual Payment

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017						$303	$503		$303	$103	$303	
2018	$305	$305	$305	$306	$307	$307	$308	$308	$308		$618	$309
2019	$310	$310	$310	$310	$310	$310	$310					

Amount Past Due

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017												
2018												
2019												

Payment History

Year	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*
2019	✓	✓	✓	✓	✓	✓	✓	XXX	XXX	XXX	XXX	XXX
2018	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2017	✓	✓	✓	✓	✓	✓	✓	✓	✓	30	✓	✓

Rating Key

✓ **Paid on Time**	**30 30 Days Past Due**	**60 60 Days Past Due**	**90 90 Days Past Due**	**120 120 Days Past Due**
150 150 Days Past Due	**180** 180 Days Past Due	**V** Voluntary Surrender	**F** Foreclosure	**C**
CO Charge-Off	**B** Included in Bankruptcy	**R** Repossession	**TN** Too New to Rate	XXX No Data Available

Account Details

View detailed information about this account. Contact the creditor or lender if you have any questions about it.

High Credit	**$11,195**	**Owner**	**JOINT_CONTRACTRUAL_LIABILITY**
Credit Limit		**Account Type**	INSTALLMENT
Terms Frequency	Monthly	**Term Duration**	7
Balance	$8,905	**Date Opened**	Oct 19, 2013
Amount Past Due		**Date Reported**	Jul 10, 2019
Actual Payment Amount	$310	**Date of Last Payment**	Jul 03, 2019
Date of Last Activity		**Scheduled Payment Amount**	$310

Months Reviewed	89	**Delinquency First Reported**	
Activity Designator		**Creditor Classification**	UNKNOWN
Deferred Payment Start Date		**Charge Off Amount**	
Balloon Payment Date		**Balloon Payment Amount**	
Loan Type	Education Loan	**Date Closed**	
Date of First Delinquency			

Comments:

Contact: SAMMIE ED
PO BOX 1234
WILMINGTON, DE 99999
1-999-999-9999

OTHER ACCOUNTS

Other accounts are those that are not already identified as Revolving, Mortgage or Installment Accounts such as child support obligations or rental agreements.

CONSUMER STATEMENTS

Consumer Statements are explanations of up to 100 words on an item you may disagree with or would like to provide details on and attach to your credit file to provide more information. These statements are voluntary and does not impact your credit score.

INQUIRIES

Inquiries:
Request for your credit history are listed in your report whenever anyone reviews your credit information. The two types of inquiries are those that may impact your credit score or rating and those that do not.

Hard Inquires
Inquires that may impact your credit score. These inquiries are made by companies that you have applied for credit or a loan. They may remain on your credit file up to 2 years.

Date	Company	Request Originator
June 10, 2018	1st CHANCE BANK USA, N.A. 222 N. NUCKLES STREET WILMINGTON, DE 99999 1-888-777-7777	
Feb 21, 2018	USA STUDENT LOAN DEPARTMENT 111 OLD MIND STREET NIAGARA FALLS, NY 44444 1-999-666-6666	

Soft Inquires
Inquiries that do not impact your credit score or rating. These inquiries may come from companies that make promotional offers of credit, existing creditors who review your account periodically, employers, or your own request to check your file. They may remain on your credit file up to 2 years.

Date	Company	Description
May 04, 2019	CREDIT KRYSTAL, INC	Direct to Consumer Report
June 16, 2019	1st CHANCE BANK USA, N.A.	Account Review Inquiry
Aug 02, 2017	VIRGINIA HELP, INC	Employment Report

PUBLIC RECORDS

> **Public Records:**
> *This section includes public record items credit reporting agencies obtained from local, state, and federal courts through a third party vendor.*

Bankruptcies
You currently do not have any Bankruptcies in your file.

Judgments
You currently do not have any Judgments in your file.

Liens
You currently do not have any Liens in your file.

COLLECTIONS

> **Collections:**
> *Collections are accounts with outstanding debt that have been placed with a collection agency by the creditor. Collections stay on your credit report for up to 7 years from the date the account first became delinquent. They generally have a negative impact on your credit score or rating.*

You currently do not have any Collections in your file.

PERSONAL INFORMATION

> **Personal Information:**
> *Creditors use your personal information to identify who you are. This information does not impact your credit score or rating.*

Identification

Identification indicates your current identification as reported to creditor reporting agencies. It does not affect your credit score or rating.

SSN: *XXX-XXX-1234* **Date of Birth:** Jan 1, 1985
Your SSN has been masked for your protection.

Names Reported: LEAH V. HOMEBOUND, LEA HOMEBOUND, and LEAH SAVES

Other Identification
You currently do not have any other Identifications in your file.

Alert Contact Information
You currently do not have any Alert Contacts in your file.

Contact Information

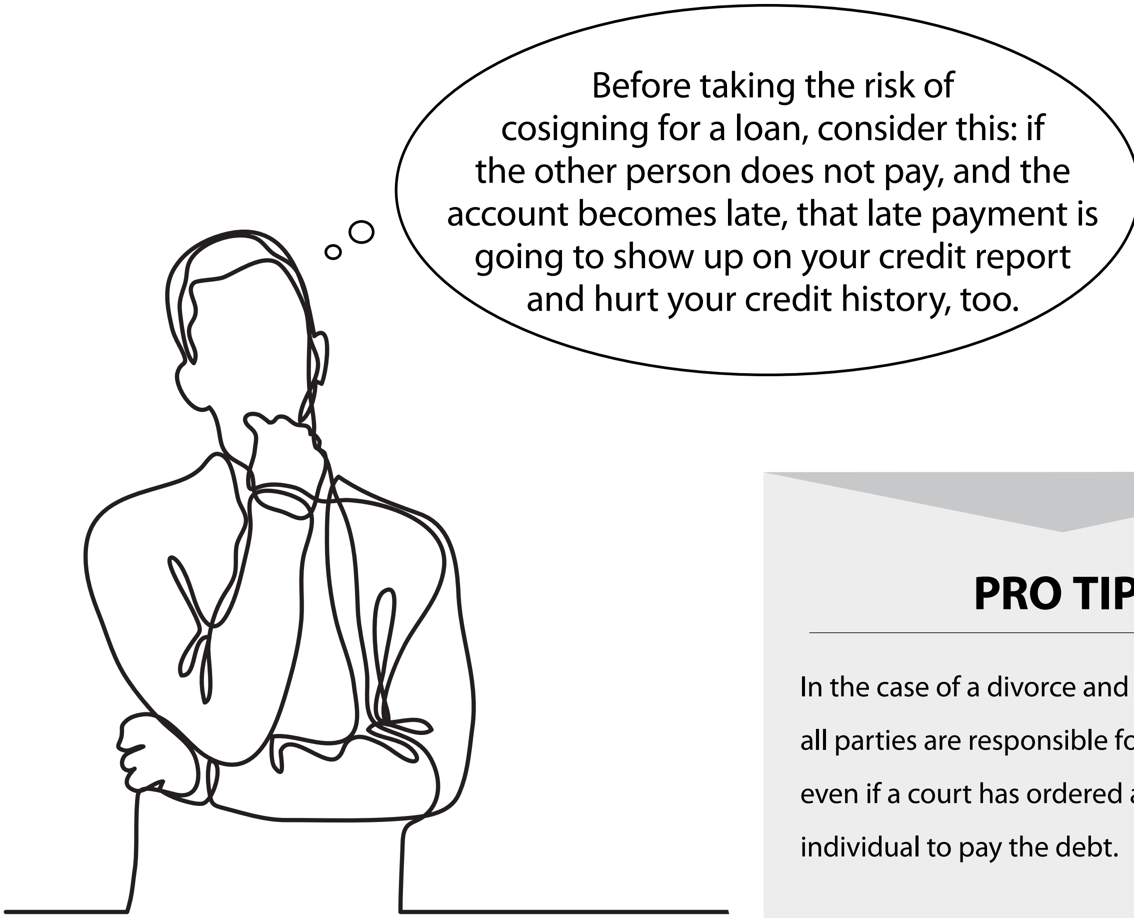
Creditors use your personal information to identify who you are. This information does not impact your credit score or rating.

Address	Status	Date Reported
3333 Dreamer LN Richmond, VA 23220	Current	May 4, 2019
5555 Next Step RD Glen Allen, VA 23060	Former	Dec 5, 2013

Employment History

Employment history contains information in your credit file that indicates current and former employment as reported to credit reporting agencies. It does not impact your credit score or rating.

Company	Occupation	Start Date	Status	Address
Virginia Help Inc.			Current	
Outreach Center	Counselor		Previous	



PRO TIP

In the case of a divorce and joint credit, all parties are responsible for repayment, even if a court has ordered a specific individual to pay the debt.

If the court-ordered individual fails to pay as agreed, the late payment may be on the credit history for both individuals. If possible, close all joint accounts and open new credit as an individual.

Otherwise, the individual who has not been court-ordered may request that a creditor notify them if a payment is late.

Alphanumeric Rating on Your Report

This rating system describes the type of credit and the way in which the obligation has been paid.

The alpha section consists of:

R-Revolving Credit. This is a line of credit which can be borrowed from more than once, such as a credit card.

I-Installment. This is a loan with a specific payment for a specific period of time, such as a car loan.

O-Open account. This is an obligation that must be paid in full every 30 days.

Creditors report the timeliness of your payments each month based on your agreement with them. A good credit history is important when you're being considered for a loan.

That means you want your credit rating to be "Current or Paid on Time" for every account reported.

The credit rating section consists of:	
OK	Paid as Agreed/Current
30	Account 30 days past due
60	Account 60 days past due
90	Account 90 days past due
120	Account 120 days past due
150	Account 150 days past due
180	Account 180 days past due
C	Collection Account
CO	Charge-off
R	Repossession
V	Voluntary Surrender
B	Bankruptcy
TN	Too New To Rate
ND	No Data Available

When you apply for a mortgage loan, the lender reviews your credit report to verify how you've repaid your debt in the past. The way in which you've paid past obligations is believed to be an accurate indication of how you may handle future debt, credit cards, and loan repayments.

Inquiry Section

The inquiry section lets you know that a creditor accessed your credit history and the date when this occurred.

There are two types of inquiries, a hard inquiry and a soft inquiry.

What is a hard inquiry?

- At your request, you provide access to your credit report to a creditor/lender to apply for a new loan or new line of credit. It is also known as a “hard pull.”
- It can impact your credit score negatively.
- Credit models typically group multiple mortgage and auto loan inquiries made within a 45-day period together, so they show up as a single inquiry on your credit report.
- It remains on your credit history for 24 months.

What is a soft inquiry?

- Access to your credit report is obtained for reasons such as:
  - Checking your own credit.
  - Employer background check.
  - Renting apartments and setting up utilities.
- It may occur without your permission.
- It’s only visible to you and does not impact your credit score.
- It remains on your credit history for 24 months.

GOOD TO KNOW

Because soft inquiries are not linked to a specific application for new credit, they are only visible on your credit report to you.

Some inquiries will have notations indicating the creditor has not viewed your credit history. These include:

- **PRM** (promotional) which means the credit reporting agency has sold your name and address to businesses to be used for marketing purposes. This is typically why you receive all those direct mail solicitations for new credit card accounts. It doesn't count as an inquiry.

If you want to skip these promotional inquiries, you can learn how to opt-out of pre-screened mailing lists on page 60.

- **AR** (annual review) means a current creditor has viewed your credit as part of their annual review process; however, this doesn't count as an inquiry.

You'll understand the importance of keeping inquiries to a minimum when credit scoring is discussed.

PRO TIP

Most lenders require at least the most recent 12-month credit history to be satisfactory. Consider requesting a copy of your credit report before meeting with a lender.

Even if you've had credit problems in the past, you may still be eligible for a loan. The lender will consider the following:

- The circumstances surrounding the negative information.
- How long ago the negative credit occurred.
- If you have paid your obligations on time since then.

Disputing Your Credit Report Information

Under the Fair Credit Reporting Act of 1997, you have the right to dispute incorrect information on your credit report by requesting the credit reporting agency to investigate.

PRO TIP

If you notice an account that has been paid in full is still showing a balance, you should check the "date last reported" and "date of last activity" to make certain the information has been updated.

Here are the steps to dispute your credit report:

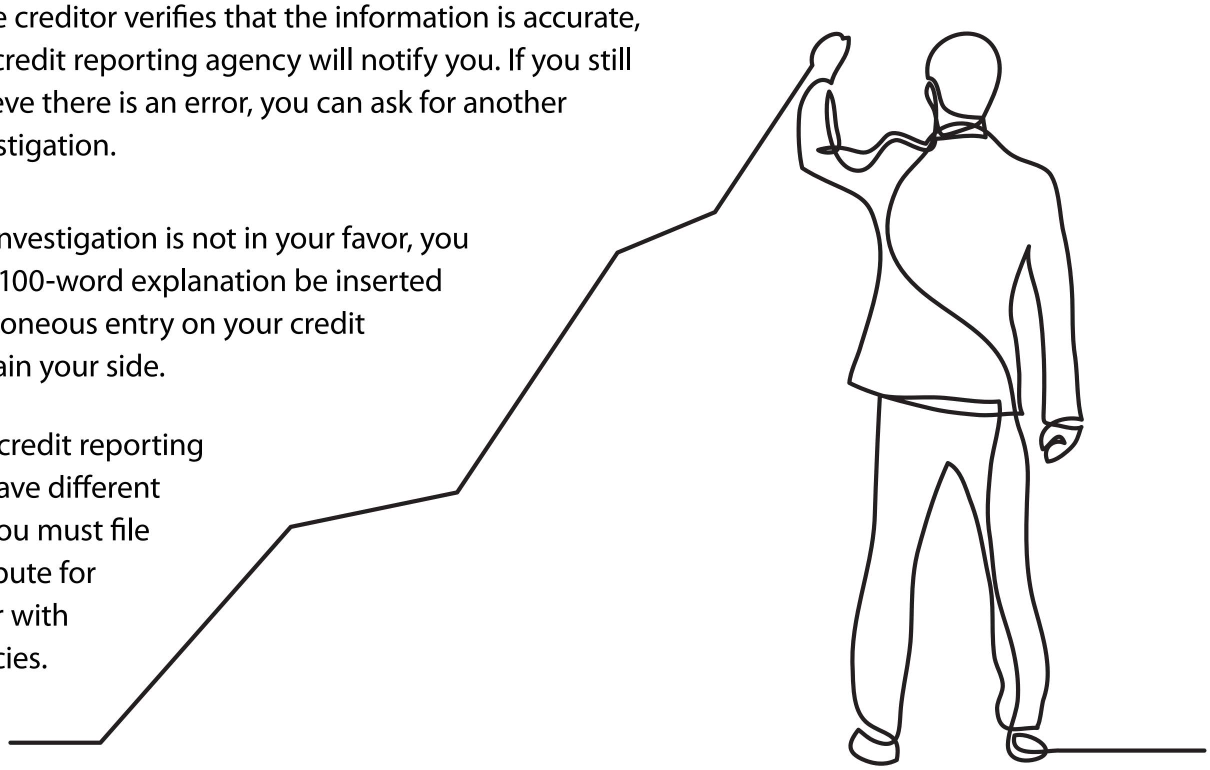
1. The credit reporting agency receives your dispute.
2. The credit reporting agency has 10 days to get this information to the creditor.
3. The creditor then has approximately 30 days to respond.
4. If the information is not valid, the disputed item will be removed from your credit report and you'll receive notification of the action taken.

   Note: The creditor may, at a later date, prove the validity of the original information. If so, then the disputed item(s) will be placed back on your credit history.

   If the creditor verifies that the information is accurate, the credit reporting agency will notify you. If you still believe there is an error, you can ask for another investigation.

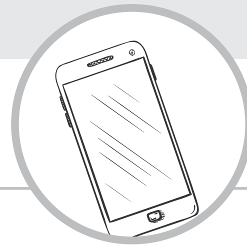
If the second investigation is not in your favor, you can ask that a 100-word explanation be inserted next to the erroneous entry on your credit report to explain your side.

Because each credit reporting agency may have different information, you must file a separate dispute for the same error with all three agencies.

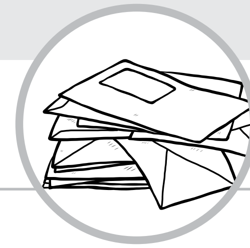


Disputes Can Be Submitted Three Ways:

ONLINE



PHONE



MAIL

Dispute forms can be obtained by contacting each credit reporting agency.

Equifax Information Services, LLC
equifax.com
866-349-5191

Experian PLC
experian.com
888-397-3742

TransUnion
transunion.com
800-916-8800

If you decide to file your dispute via phone or mail, please have the following information on hand to complete your dispute:

- Your credit report file number.
- Social Security number.
- Date of birth.
- Current address.
- Company name of the disputed item (from your credit report).
- Account number of the disputed item (from your credit report).
- Reason for your dispute (such as, it is not your account, you have paid the account, etc.).
- Any corrections to your personal information (address, phone number, etc.).

Corrections to any of your personal information may require proof of changes to be mailed to the credit reporting agency before you can start your dispute.

PRO TIP

Be sure to save all the paperwork related to any dispute you file with the credit reporting agencies. Never mail your original receipts or other documentation; always send copies.

What Is Your Credit Score? (And How Good Is It?)

A **credit score** is your credit history expressed as a number. It is a quick and objective indication of how likely you are to repay on time according to terms. It is based on how you have handled your credit in the past.

Because credit scoring does not take into account race, color, national origin, religion or marital status, it removes the likelihood for personal judgment and unfair influence.

A score ranges from 300 to 850 and it represents the risk of lending money to you. Credit scores cannot predict, with certainty, how you or anyone else will handle your financial obligations. However, it does give creditors a way to evaluate your credit worthiness.

Very Poor	**300-549**
Poor	**550-649**
Fair	**650-699**
Good	**700-749**
Excellent	**750-850**

CREDIT SCORE RATINGS

The two of the most common types of credit scores are FICO Scores and scores by VantageScore, but industry-specific scores also exist. It is important to understand there are different credit-scoring models.

The FICO Score is what lenders use for a mortgage loan application because they believe it provides the best guide to future risk. The FICO score grades more than just payment delinquency. It's also influenced by things like the percentage of loan balances to loan amounts, the number of consumer finance accounts, and even the number of credit cards shown as open.

The VantageScore, which is what a consumer receives if they purchase a credit report and score through one of the three credit reporting agencies.

Determining Your Score

Although both models mentioned here evaluate similar information, the scores provided will not be exactly the same. This is because, as discussed earlier, not every creditor reports to an agency and not all creditors who report information do so with all three major agencies. The result is three different reports and scores for each individual.

Currently, the great majority of mortgage lenders continue to use FICO scores.

Most automated underwriting systems are built to use FICO scores, and so industry lenders, which include the Federal Housing Administration (FHA), Veteran Affairs (VA), Fannie Mae and Freddie Mac, are not yet accepting VantageScores for mortgage applications.

INFLUENTIAL	FICO SCORE FACTORS	VANTAGESCORE FACTORS
Most	Payment history on loans and credit cards	Payment history
Highly	Total debt and amounts owed	Age and type of credit, percent of credit limit used
Moderate	Length of credit history	Total balances and debt
Less	New credit and credit mix (the types of accounts you have)	Recent credit behavior and inquiries, available credit

Your credit score is determined by 5 factors:

Payment History	**35%**
Amounts Owed	**30%**
Length of Credit History	**15%**
New Credit	**10%**
Types of Credit Used	**10%**

Each factor represents a certain percentage of your score. The higher the percentage, the more impact it has on your score.

Although you can purchase your credit score from any or each of the major credit reporting agencies, you may want to consider purchasing the score from the agency where you have spent most of your adult life. **Equifax would be the best choice for individuals who predominantly live on the East Coast.**

While lenders are allowed to share your credit score and credit history with you, individual lenders have their own guidelines regarding this practice.

You can also purchase your FICO credit score from myfico.com.

GOOD TO KNOW:

Some credit card companies and banks now offer free FICO scores to their members.

How Lenders Use Your Credit Score

Credit scoring simplifies the credit application process by quickly delivering reports that are easy to interpret. The higher the credit score, the lower the risk. Credit scoring makes it easier for a lender to make an objective decision based solely on credit report data.

Mortgage lenders will pull all three reports (this is known as a "tri-merge report") and typically use the middle score for your official score.

A tri-merge credit report combines the individual reports from the three credit bureaus. The report and score from Equifax can be different from the one that originates from TransUnion or Experian.

EXAMPLE:

Tri-merge score = Equifax score: 635, TransUnion score: 597, Experian score: 680

Ranked Least to Greatest:

597 635 680

Middle Score is 635

It's difficult to say what a good credit score is, because no score says whether a specific individual will be a "good" or "bad" customer. And while most lenders use FICO scores to help them make decisions, each lending institution also decides for itself which scores are acceptable for different types of loans or credit.

There is no single "cut-off score" used by all lenders. However, some loan programs have a minimum score they will allow.

Impact of Your Credit Scores

There are many other factors that lenders use to determine the interest rate a borrower will pay. One of those factors are credit scores.

EXAMPLE:

A lender may decide to offer someone with LOW credit scores a higher interest rate on their loan rather than turning them down altogether. Lenders may also provide a lower interest rate for someone with HIGH credit scores. That means a higher credit score could help you save money on the interest you pay on your mortgage loan.

Give Your Credit Score a Boost

You may want to improve your credit score now so that when it comes time to buy your first home, you can qualify for a mortgage and get a better interest rate.

CREDIT SCORE RATINGS

Here are six proven ways to improve your credit score:

1. Pay your bills on time.
2. Keep credit card balances low; no more than 50 percent of your available credit or credit limit.
3. Pay down the balances on your credit cards. (Remember: Power Pay System).
4. Don't apply for more credit.
5. Never co-sign for any financial account with a friend or relative.
6. Regularly review your credit report for errors at annualcreditreport.com.

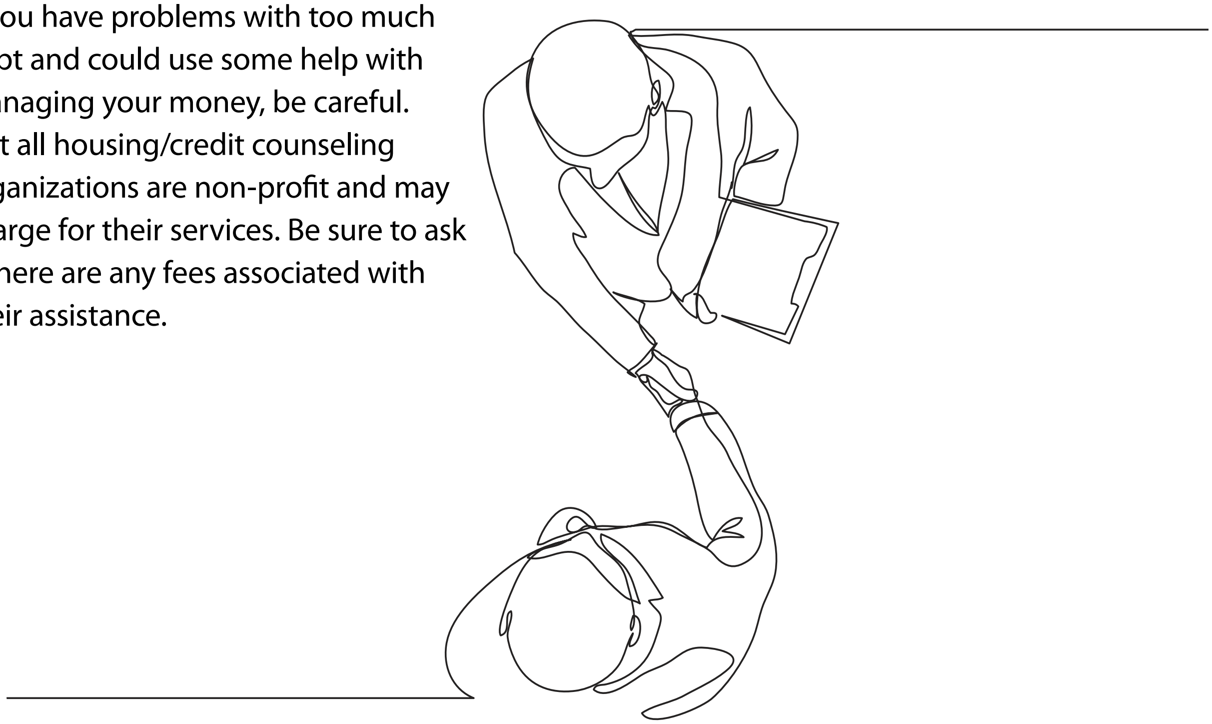
Many lenders suggest you try to improve your credit score at least six months to a year prior to applying for a mortgage. Your score will improve as you continue to handle your credit obligations responsibly. Think of a score as a snapshot of your credit risk, reflecting your risk picture at a specific point in time.

PRO TIP

Do not pay any agency to "repair" your credit. There is nothing they can accomplish on your behalf that you can't do yourself. You can improve your credit on your own with time, assistance from a credit or housing counseling agency, better credit behavior and a focused effort on removing inaccurate information.

Find Reputable Help: Housing/Credit Counselors

If you have problems with too much debt and could use some help with managing your money, be careful. Not all housing/credit counseling organizations are non-profit and may charge for their services. Be sure to ask if there are any fees associated with their assistance.



Look for a group you can trust by reaching out to:

- Department of Housing and Urban Development (HUD) at hud.gov to locate an agency near you or call 800-569-4287.
- VHDA is another resource for finding Certified Housing Counselors throughout the Commonwealth. Visit our website at vhda.com/housingcounselors.

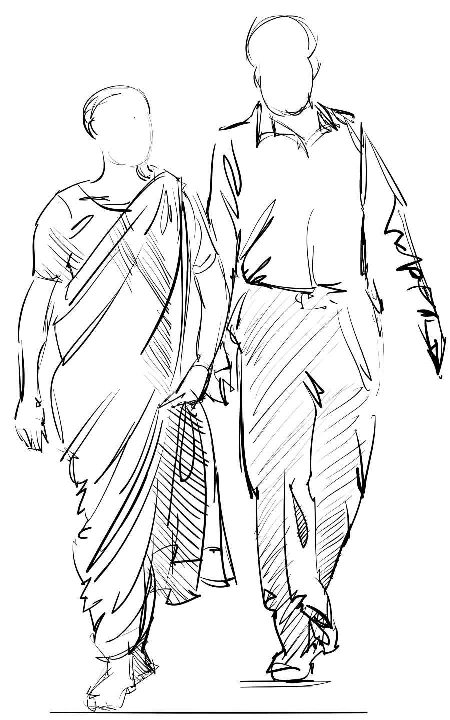
Protect Your Identity

Identity theft occurs when predators dumpster dive, "phish" or otherwise gain access to your personal information. In fact, the FBI reports that identity theft is one of the nation's fastest-growing crimes, so it's important to safeguard your personal information.

- Always protect your Social Security number.
- Don't carry rarely used documents such as your birth certificate and Social Security card with you.
- Use a crosscut shredder to destroy documents containing sensitive information.
- Review your credit report regularly for suspicious activity.
- Keep a list of contact information for credit issuers.
- Report lost or stolen cards immediately.
- Be aware of mail or bills that don't arrive on time or unfamiliar credit application responses.
- When mailing payments, put them directly into a U.S. postal box instead of your home mailbox.
- Install a lock on your home mailbox.
- Obtain a P.O. Box or temporarily stop delivery when you know you'll be away for longer than a weekend.
- Don't include Social Security or telephone numbers when ordering printed checks.
- Have ordered checks delivered to your bank.
- Don't use common passwords, such as birth dates, for ATM, computer and other electronic access.
- Change your passwords frequently.

PRO TIP

Don't worry about remembering strong passwords. There are safe and free web-based apps available that can assist you with developing and storing your passwords in a highly secure database.



In Case of Theft, Act Fast

If you're a victim of identity theft, it is extremely important that you act quickly:

- Immediately contact your credit card company or any other account you suspect has been part of the theft.
- Close any accounts that have been tampered with or opened fraudulently.
- Report the identity theft to the appropriate law enforcement agency.
- Consider placing a **fraud alert** on your profile by contacting any of the three credit reporting agencies: Equifax, Experian or TransUnion.

Equifax Information Services, LLC
equifax.com
866-349-5191

Experian PLC
experian.com
888-397-3742

TransUnion
transunion.com
800-916-8800

A fraud alert can make it more difficult for someone to get credit in your name because it tells creditors to follow certain procedures to protect you.

An initial fraud alert stays in your file for at least 90 days.

An extended alert stays in your file for seven years.

To place either of these alerts, a consumer credit reporting company will require you to provide appropriate proof of your identity, which may include your Social Security number. If you ask for an extended alert, you will also be required to provide a copy of the identity theft report you filed with your local, state or federal law enforcement agency.

GOOD TO KNOW

The flip side to adding an alert is that it may delay your ability to obtain credit.

Just Say "No" to Mailing Lists

If you'd like to reduce or completely eliminate unwanted credit card and other solicitations, **you have the legal right to opt-out**. Here's what you can do.

Pre-screened mailing lists:

Use the contact information provided below to have your name and address removed from pre-screened mailing lists and insurance offer mailing lists provided to lenders and others by Experian, Equifax and TransUnion:

888-5OPT-OUT (888-567-8688) | optoutprescreen.com

You will be given the choice to opt-out for either five years or permanently.

To permanently opt-out, you'll need to print and mail the Permanent Opt-Out Election form. Once completed, you must sign and return it. Otherwise, your opt-out will not be activated.

Telemarketing call lists:

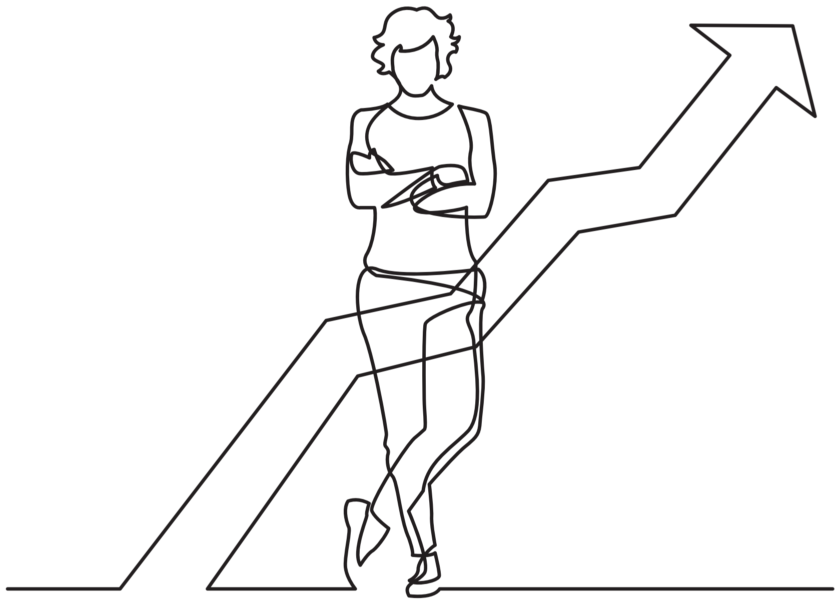
Thanks to the National Do Not Call Registry and Do Not Call Improvement Act of 2007, you can stop most (but not all) telemarketing calls. You may opt-out your home and/or cell phone numbers permanently. Remember, you must call from the phone number you want to be removed.

888-382-1222 | donotcall.gov

Direct mailing services lists:

You can also limit the unwanted mail and phone calls you may receive that are not related to the lists credit reporting agencies sell to lenders and other businesses.

You may opt-out for a 10-year time frame for a $2 processing fee at dmachoice.org.



You're moving in the right direction!

In this chapter, you've learned about:

- The three big credit reporting agencies.
- How to understand your credit report.
- Why your credit is important, especially if you want to buy a home.
- Ways to improve your credit score.
- How to protect yourself from identity theft.

Chapter 2 Quiz

1. **Select the steps required to opt out of unwanted credit solicitations.**

   A. Contact each marketer by phone and follow up in writing.
   B. Mark unopened mail with "opt out" and return to sender.
   C. Contact the credit agencies and the National Do Not Call Registry.

2. **Select the amount of time a creditor has to respond to a customer dispute filed with a credit reporting agency.**

   A. 30 days from receipt of dispute notification.
   B. 10 days from receipt of dispute notification.
   C. 45 days from receipt of dispute notification.

3. **What is the best way to ensure a good credit history?**

   A. Talk with a consumer agency to repair your credit.
   B. Pay obligations in a timely manner.
   C. Ask a lender to avoid reporting any late payment history.

4. **What measures should be taken to avoid identity theft?**

   A. Place unopened credit solicitations in the trash.
   B. Ask a neighbor to pick-up mail when away for an extended period.
   C. Shred documents with sensitive information, report lost or stolen cards, and when mailing payments, put them directly into a U.S. postal box.
   D. Use a common password for most or all computer access.

5. **Which of the following is not used to determine your credit score?**

   A. Recent payment history.
   B. Whether you have been shopping for credit.
   C. Your gender.
   D. Amount of credit you have access to and are using.

6. **A credit score can impact employment qualification, insurance rates, and credit approval.**

   ☐ True ☐ False

7. Joint ownership of an account identifies all of the individuals responsible for payment of an account.

☐ True ☐ False

8. An Authorized User is responsible for repayment of charges on a credit card.

☐ True ☐ False

9. Judgments, tax liens, federal debt and Division of Child Support Enforcement reports may be included in public information on a credit report.

☐ True ☐ False

10. A credit score is used by lenders to evaluate how likely an individual is to repay a loan or credit card.

☐ True ☐ False

11. Past payment history does not impact a credit score.

☐ True ☐ False

12. Using a credit card to its limit is a good way to prove your ability to repay a large debt.

☐ True ☐ False

13. A consumer must pay for their credit report if they have been denied credit.

☐ True ☐ False

14. A creditor must report to a credit bureau if you have an account with them.

☐ True ☐ False

15. Your credit score is a "snapshot" of your credit risk.

☐ True ☐ False

16. The best thing to do when incorrect information is on your credit report is to contact the credit bureau.

☐ True ☐ False

17. People who want to file a Chapter 7 bankruptcy must take a means test to demonstrate that they do not have the means to repay their debts.

☐ True ☐ False

18. It is not necessary to pay delinquent child support in full in order to qualify for a mortgage loan.

☐ True ☐ False

19. Both your VantageScores and FICO scores are used by lenders for a mortgage application.

☐ True ☐ False

20. Your payment history has the greatest impact on your credit score.

☐ True ☐ False

Answer Key:

1.	C	5.	C	9.	True	13.	False	17.	True
2.	A	6.	True	10.	True	14.	False	18.	False
3.	B	7.	True	11.	False	15.	True	19.	False
4.	C	8.	False	12.	False	16.	True	20.	True

Exploring lenders, mortgages and the loan process

Chapter 3

The mortgage lender (also known as the mortgage loan originator) is the one who will work with you to complete your loan application and determine how much credit you qualify for as you buy your home.

Working with a lender **before** you start your housing search can help you set realistic expectations about the cost of a mortgage loan and what you will be able to afford.

You will also find that the effort you've put into developing a realistic Spending and Savings Plan and strengthening your credit (as discussed in previous chapters) will be a big help when you begin the loan application process.

In this chapter, you'll learn about:

- Types of lenders and what they do.
- The difference in types of mortgages.
- Pre-approval and pre-qualification.
- Interest, escrow and insurance.

Find the Right Lender for You

There are a lot of lending sources out there. So, how do you choose the one for you?

Maybe a friend, co-worker or someone in your family recently bought a home. Ask that person about their experiences with their lender. You can also ask your real estate agent to recommend a lender. Often a real estate agency has a joint venture with a local lender to refer clients.

However, it is a best practice for most real estate agents to give you at least three options. Since 1974, it has been illegal for real estate professionals to get kickbacks or finder fees for referrals. You can also look for lenders on mortgage loan and banking websites.

Find a Lender Website

VHDA's website offers a convenient Find a Lender search tool at vhda.com/ FindALender. It can make your search quick and easy by providing a list of VHDA approved lenders in your area who can assist you with a VHDA mortgage.

In addition, you will see which branches and individual loan officers in your area have been the most active in helping homebuyers obtain VHDA loans over the past year.

It's important to shop around for a lender to make sure you're getting the best deal and the best service, just as you would when you make any other major spending decision.

Although there is a 14-day window to shop for a mortgage rate with the least impact to your credit, those credit pulls are not unlimited. Excessive pulls can still have a negative impact to your credit. Make sure you're ready when you start shopping seriously for your mortgage.

Choosing a Lender, Broker or Correspondent Lender

When you are deciding which lender to choose, keep in mind that the best one is the one who offers the most competitive rate, the lowest fees, the fastest turnaround on paperwork and approval and who is the most responsive to your needs. Outside of that, each type of lender offers benefits and other things you have to consider.

There Are Three Types of Lenders:

A mortgage lender is an individual at a bank, mortgage company or credit union that issues a loan.

- Includes banks, mortgage banks or other financial institutions.
- Lends their money and funds your mortgage directly.
- Employs loan officers, and other representatives to work with customers.
- May offer quicker turnarounds (if local underwriting).
- Is paid a salary and commission by the bank where they work.

A mortgage broker is a middle person between borrowers and banks who shops around to find the borrower a loan.

- Does not loan money.
- Shops multiple lenders at once until they find one to fund your loan.
- Will do some paperwork, but ultimately the chosen lender does the underwriting.
- Has no control over the process once the loan is sent to the lender for underwriting approval.
- May be paid from charged fees or take a percentage of your loan interest from the lender.

A correspondent lender can lend money directly like a traditional lender or can shop your mortgage around to other lenders, like a broker.

- Combines the flexibility of brokers and the processing speed and control of a lender.
- Can send your mortgage out of house for funding, but can complete the underwriting process in-house.
- Offers more control and quicker turnarounds than a broker.
- Makes money by charging fees.

What Questions Should You Ask a Lender?

You want a lender you can trust and loan terms you will feel comfortable with. That means you'll need to interview the lenders to compare loans, interest rates and terms.

Here are a few things you'll want to ask:

- What types of loans do you offer? Conventional, FHA, VA, USDA/RHS, 203k Rehab? Other types?
- What is the current interest rate for the loans that you offer?
- How much are your expected application, lender and origination fees?
- Does the loan require a Mortgage Insurance Premium or Private Mortgage Insurance?
- Can you lock in the rate? If so, when is the rate locked in — at application or at approval?

NOTE: A breakdown of fees can be found on the sample loan estimate at the end of this chapter.

Understanding Different Types of Mortgages

There is no "one size fits all" when it comes to mortgage loans.

Which loan program is best for you will depend on your personal situation. Oftentimes your lender will suggest a loan for you, but you are free to inquire about alternatives and differences so that you can make an informed decision.

It is important that you know exactly what kind of mortgage loan you are getting before you sign the paperwork. The type of mortgage loan you get can be the difference between paying a lot of money in interest and saving yourself thousands of dollars.

The different types of loans are:

Conventional Home Loans

- Ideal for borrowers with good or excellent credit.
- Typically rates are fixed, but offers adjustable rate mortgages as well.
- Is not guaranteed or insured by any government agency such as FHA or VA.
- Down payment can be as low as 3% to 20%.
- Requires monthly Private Mortgage Insurance (PMI) for down payments less than 20%.
- May require an upfront premium payment.

FHA Home Loans

- Ideal for borrowers with some credit blemishes, but has a minimum credit score requirement.
- Typically rates are fixed, but offers adjustable rate mortgages as well.
- Down payment can be as low as 3.5%.
- Allow gift funds from parents, relatives or employers to cover down payment.
- Government insured.
- Requires monthly Mortgage Insurance Premium (MIP), which can include an upfront premium of 1% of the loan amount in addition to MIP.

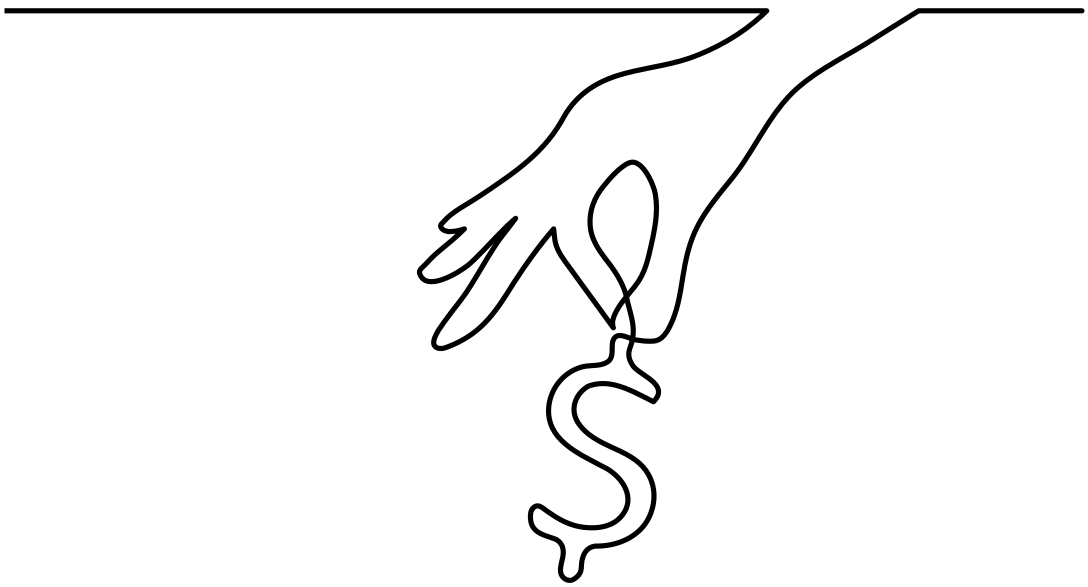
VA Home Loans

- Must be an active military member, veteran, reservist or surviving spouse.
- Require a Certificate of Eligibility (COE).
- Typically rates are fixed, but offers adjustable rate mortgages as well.
- Issued by private lenders and guaranteed by the U.S. Department of Veterans Affairs (VA).
- Credit scores have to meet lender benchmark.
- Requires a funding fee that ranges from 1.25% to 3.3% (may be waived if disabled).
- No down payment or mortgage insurance required.
- Offer competitive interest rates.

USDA/Rural Development Home Loans

- 100% financing mortgage for moderate-to-low income homebuyers.
- Must meet income eligibility.
- Home purchase must be in eligible rural areas.
- Guaranteed by the USDA-RD (United States Department of Agriculture - Rural Development).
- Requires a one-time Guarantee Fee (optional: can be financed into the total loan amount).
- No down payment.
- USDA Mortgage Insurance annual fee is financed into the monthly mortgage payment (remains for the life of the loan).
- Additional program criteria must be met.

Types of Mortgage Loans



There are different types of interest rates with your mortgage loan. You need to be familiar with the interest you will be paying as you make your monthly payments.

Fixed interest loans have a rate that is set at the start of a loan and will stay the same for the entire repayment term. Your monthly principle and interest payment will remain the same for the life of the loan. The most common duration for a fixed rate loan is 30 years.

Adjustable Rate Mortgage (ARM) will have an interest rate that “adjusts” from time to time. Typically, the rate on an ARM will change every year after an initial period of remaining fixed. The rate can be raised or lowered by the lender over the duration of the loan.

Jumbo loans are conventional loans that have non-conforming loan limits. This means the home prices exceed federal loan limits and are more common in higher-cost areas and generally require more in-depth documentation to qualify.

What Is an Energy Efficient Mortgage (EEM)?

When homebuyers are deciding whether or not they can afford a particular house, the cost of utilities, an important monthly expense, is often overlooked.

In fact, according to the U.S. Department of Energy, **the average homeowner spends nearly $2,060 a year on utility bills.** Energy efficient homes with features such as proper insulation, high efficiency heating and cooling systems, energy efficient windows and ENERGY STAR®-rated appliances can lower your utility bills by 10% to 50%.

An Energy Efficient Mortgage (EEM) is a “green” mortgage that gives you the opportunity to finance cost-effective and energy-saving improvements as part of a single mortgage. These improvements will stretch the debt-to-income qualifying ratios on your loan.

Must Have an Inspection

Most energy efficient financing programs require the borrower to have their potential new home inspected for an energy rating. A rating typically involves an inspection by a professional energy rater who is certified under a nationally or state-accredited Home Energy Rating System (HERS).

For the most part, an energy rater will inspect the energy-related features of a home, such as:

- Insulation levels.
- Window efficiency.
- Heating and cooling systems.
- Air leakage.

PRO TIP

To help qualify for most energy efficient financing, the HERS report usually must show that the home is energy efficient or that recommended improvements are cost-effective and will save you more money than the cost of borrowing money to install them.

After the inspection, the energy rater will provide a report that includes the home’s energy rating, along with an estimate of annual energy use and costs. The report should also include recommended energy efficient improvements, their costs, potential annual savings and anticipated return on investment.

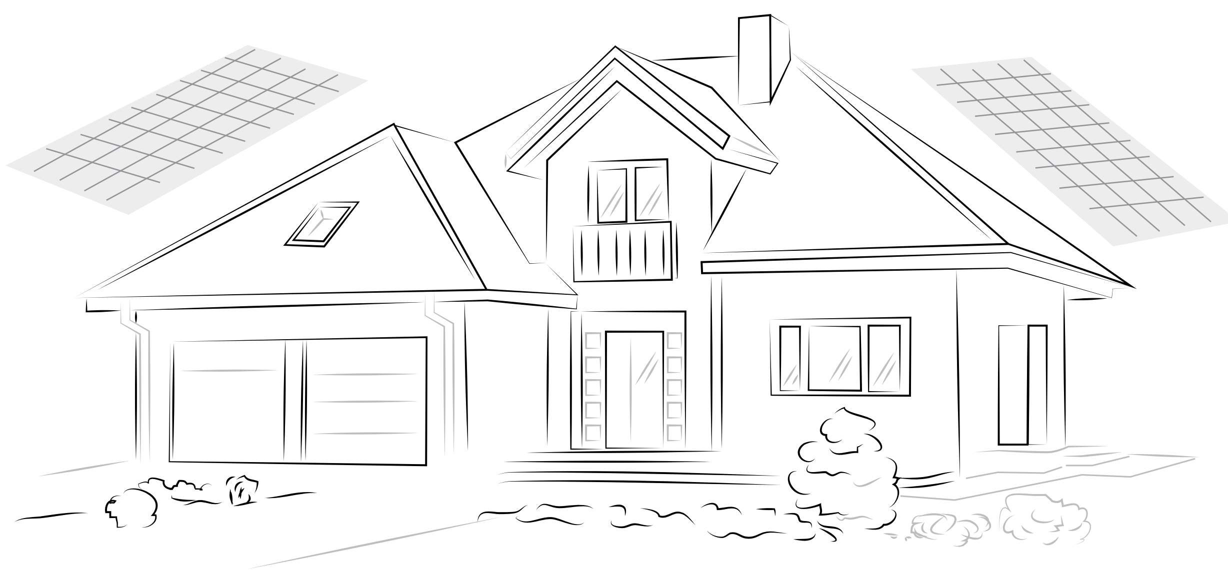
This information will help your lender as they calculate whether you qualify for a mortgage. Your lender can recognize these energy savings and add the cost of the improvements into the mortgage or, if the home is already energy efficient, your lender can stretch the debt-to-income qualifying ratio.

An Energy Efficient Mortgage (EEM) Can Result In:

- Lower utility bills.
- More money in your pocket and more house for your money.
- A healthier, more comfortable house.
- A sense of pride from knowing you're helping the environment.

Almost all lenders who offer FHA, VA and Conventional mortgage loans have energy efficient mortgages that can be used with existing or new construction. All provide either higher qualifying ratios, or add the cost of improvements to the loan with no additional qualifying. Your lender can give you details about the different mortgages.

For more information you can visit: hud.gov/program_offices/housing/sfh/eem/energy-r.



Pre-Qualification vs. Pre-Approval

Although they may sound like the same thing, pre-qualification and pre-approval are very different. A pre-qualification and pre-approval both specify how much the lender is willing to lend to you up to a certain amount and based on certain assumptions.

Getting a pre-qualification or pre-approval letter provides useful information, but they are not guaranteed loan offers. They do let the seller know that you are likely to get financing. Sellers frequently require a pre-qualification or pre-approval letter before accepting your offer on a house.

Here are the differences:

Pre-qualification:

- Is an informal estimate of your purchasing power, based on an evaluation of your financial information.
- Is a quick and simple process.
- Does not request verification of income and debt.
- Needs a verbal statement of your financials (in person or over the phone).

Pre-approval:

- Is a written formal conditional commitment of a specific mortgage amount in which you are approved, based on a review of all your financial information.
- Requires that you complete a mortgage application.
- Includes a thorough investigation of all your financial information.
- Verifies your employment history, income, debts, assets, credit and credit scores.

Pre-qualification is often the first step in the mortgage process.

It simply means that a lender has evaluated your credit worthiness and has decided that you may be eligible for a loan. Since your financial information has not been formally evaluated, a pre-qualification does not offer the same amount of negotiating power as a pre-approval.

Wondering if you're ready for a mortgage? With a little math you can find out before reaching out to a lender.

PRO TIP

Be careful with using online mortgage calculators as they may not include all the information you need to estimate a house payment. Taxes, insurance and homeowner or condo association fees are variables that may not be accounted for in traditional mortgage calculators.

1. On page 78 you'll find a "Sample Mortgage Factor Table." Use it to convert the interest rate into cost-per-thousand dollars. Determine the current or expected interest rate on a mortgage loan, as well as the term of your mortgage loan. (Most individuals choose 30 years).

2. When you have that information, fill in the Mortgage Ready Worksheet on page 80 and do the math. (A sample completed Mortgage Ready Worksheet has been provided for you on page 79.)

The Mortgage Ready Worksheet will help you figure out your purchasing power and evaluate your readiness for committing to a long-term debt. However, it does not replace the pre-qualification letter from your lender.

Know Your Ratios

Before you start your calculations, it's important that you understand housing expense and debt-to-income ratios (DTI) and the role they play in your home loan consideration. Lenders use these ratios to determine how much you can afford to borrow for a home loan.

Your ratios are expressed in percentages and play a large role in whether you are ready and able to qualify for a mortgage. It's the percentage of your income that goes toward paying your monthly debts and housing expenses. In addition, it helps lenders decide how much you can borrow. Each loan type has its own maximum allowed housing and debt-to-income ratio.

EXAMPLE:

Housing Expense Ratio

The housing expense ratio, also known as your **front-end** ratio, is the percentage of your gross monthly income devoted to housing expenses.

FHA – 31%

VA – N/A

Conventional – 28%

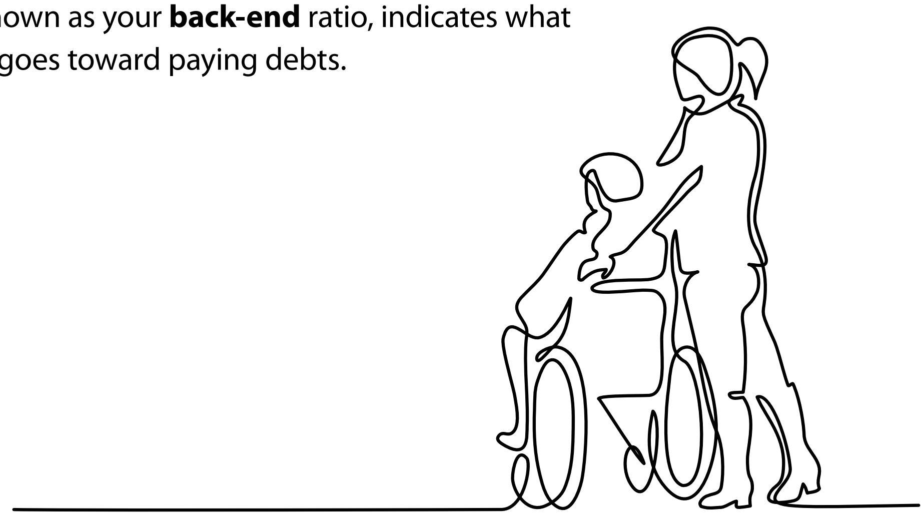
Debt-to-Income Ratio

The debt-to-income ratio, also known as your **back-end** ratio, indicates what portion of your monthly income goes toward paying debts.

FHA – 43%

VA – 41%

Conventional – 36%



Lenders calculate DTI and housing expense ratios at the monthly level using the borrower's gross/pre-tax income.

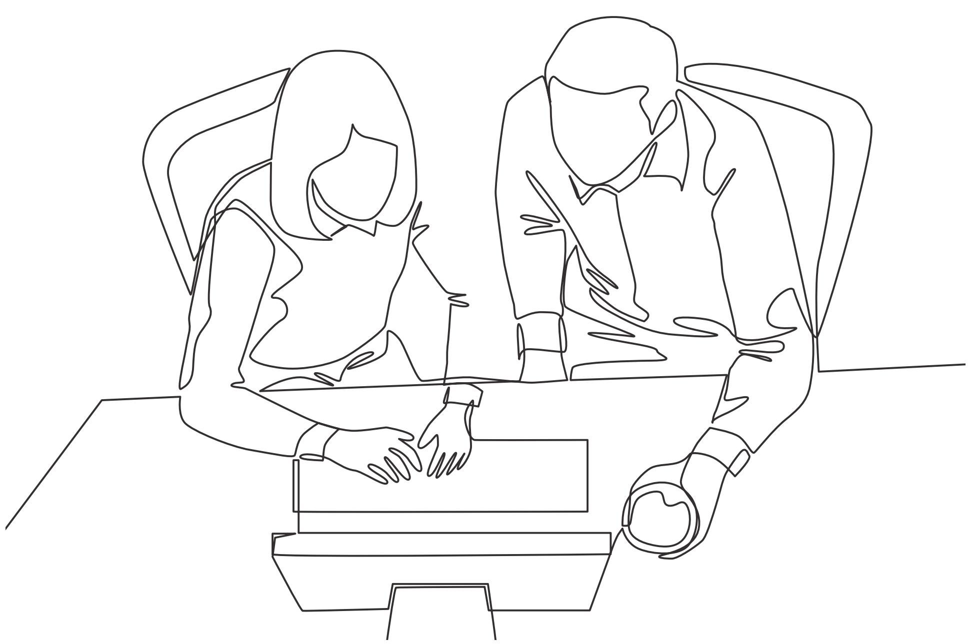
- The front-end ratio is calculated from housing-related debts only (monthly mortgage payments, property taxes, etc.).
- The back-end ratio calculates all recurring monthly debts (monthly mortgage payment, credit cards, car loans, etc.).

GOOD TO KNOW

As a general rule, you want to spend no more than 30% of your monthly gross income on housing. If you have too much debt in relation to your monthly income, you may have trouble qualifying for a mortgage loan. Lenders will determine if you have a manageable level of debt. If so, you have one less thing to worry about.

Another important part of determining if you are mortgage-ready is considering possible escrows that will impact the affordability of your mortgage.

An **escrow account** is essentially funds that are included with your mortgage payment and held to cover annual housing expenses such as your homeowners/hazard insurance and real estate taxes. We will discuss escrows later on in this chapter.



SAMPLE MORTGAGE FACTOR TABLE			
Interest Rate	**15-Year Mortgage**	**20-Year Mortgage**	**30-Year Mortgage**
4.00%	$7.40	$6.06	$4.77
4.50%	$7.65	$6.33	$5.07
5.00%	$7.91	$6.60	$5.37
5.50%	$8.17	$6.88	$5.68
6.00%	$8.44	$7.16	$6.00
6.50%	$8.71	$7.46	$6.32
7.00%	$8.99	$7.75	$6.65
7.50%	$9.27	$8.06	$6.99
8.00%	$9.56	$8.36	$7.34

Mortgage Ready Worksheet

Sample Scenario:

Monthly Income: $5437
Loan Type: FHA
Monthly Debts: $1120
Interest Rate: 4%
Length of Mortgage: 30 years

Gross Monthly Income =		**$5437**	1
Gross Monthly Income x housing ratio/front end ratio: FHA=31%, VA=n/a, CONV=28%	**31%** $5437 x .31 = $1685.47	**$1685.47**	2
Gross Monthly Income x debt-to-income ratio/back end ratio: FHA=43%, VA=41%, CONV=36%	**43%** $5437x .43 = $2337.91	**$2337.91**	3
Total Monthly Debts		**$1120**	4
Subtract line (4) from line (3)	$2337.91 - $1120 = $1217.91	**$1217.91**	5
Maximum Monthly Mortgage Payment Allowed			
Enter lesser amount from line (2) or (5)		**$1217.91**	6
Escrows			
Multiply line (6)	**25%** $1217.91 x .25 = $304.48	**$304.48**	7
Subtract line (7) from line (6)		**$913.43** $1217.91 - $304.48 = $913.43	8
Affordability			
Divide line (8) by factor *(The factor that is used depends on the loan's interest rate. See page 52.)*	**$4.77** $913.43/4.77 = $191.49	**$191.49**	9
Multiply line (9) by $1,000.00 **Maximum Home Purchase Amount**	**$1,000.00** $191.49 x $1000 = $191,490	**$191,490**	10

Mortgage Ready Worksheet

Monthly Income:
Loan Type:
Monthly Debts:

Interest Rate:
Length of Mortgage:

Gross Monthly Income			**1**
Gross Monthly Income x housing ratio/front end ratio: FHA=31%, VA=n/a, CONV=28%	Gross monthly income **x** Ratio = (Housing Ratio)		**2**
Gross Monthly Income x debt-to-income ratio/back end ratio: FHA=43%, VA=41%, CONV=36%	(Gross monthly income) **x** Ratio = (Debt to Income Ratio)		**3**
Total Monthly Debts =			**4**
Subtract line (4) from line (3)		(Debt to Income Ratio) - (Monthly Debts) =	**5**
Maximum Monthly Mortgage Payment Allowed			
Enter lesser amount from line (2) or (5)			**6**
Escrows			
Multiply line (6)	(Monthly Mortgage Payment) **x** .25 = **25%**		**7**
Subtract line (7) from line (6)		Monthly Mortgage Payment - Escrows =	**8**
Affordability			
Divide line (8) by factor *(The factor that is used depends on the loan's interest rate. See page 52.)*	Line (8) ÷ Factor =		**9**
Multiply line (9) by $1,000.00 **Maximum Mortgage Amount**	**$1,000.00** Line (9) **x** $1000 =		**10**

Pre-Approval Is Key to a Mortgage

A pre-approval is valuable because it means that the lender has checked your credit and verified your documentation to approve a specific loan amount. It must come from your lender. A pre-approval is a great negotiating tool when trying to get a ratified contract to purchase a house. (You'll learn more about the purchase contract in the next chapter.)

In order to obtain a pre-approval, you will need:

- A completed mortgage loan application.
- One month of your most recent pay stubs.
- Two or three months of bank statements for checking and savings (for all accounts, including any youth or joint accounts you are on).
- Last two years of tax returns and W2s.
- Any other documentation your lender may request or that may apply to your situation.

Once the lender has all the required information and you are pre-approved, they will let you know your **pre-approved loan amount.** You may find that the amount you are pre-approved for is more than you want to spend. If so, you can have the lender issue a pre-approval letter for the amount you feel comfortable borrowing for a house.

To be prepared to answer your loan originator's questions, you'll want to have some of your personal information readily available. During your initial meeting with your loan originator you'll also be given documents to sign that will authorize them to verify your income, employment and other relevant information.

PRO TIP

The lender will need to review your credit report, so expect to pay about $35 - $75 to cover this cost at closing. (Closing costs will be discussed later in the loan closing section.)

Note: At the end of this chapter, you'll find a Mortgage Application Checklist to use when gathering information for a loan application. You'll also find a sample Residential Loan Application and samples of several authorization forms you may be asked to sign when you apply for a mortgage.

Who's Who in the Loan Approval Process?

There are several people involved in getting your mortgage loan approved. You've already met the first one: the lender (loan originator). This person is usually your primary contact at the lending company. He or she is responsible for collecting all your financial information and making sure your loan application is ready for review.

After the loan application and all associated disclosures have been signed, the originator and processor will know which documents are required.

If your qualifying income includes child support, disability income, interest income or anything other than income derived from your employer, you'll be asked to provide documentation to verify that income. The loan originator will let you know which types of documentation to provide.

Loan Processor

- Handles the processing of the loan.
- Responsible for gathering all the necessary documentation for the file, such as ordering an appraisal, credit report, etc.

The loan processor is a good source for answers to questions about the status of your loan. Since the processor is the one who orders the appraisal and other items needed, they're also the one who can give an accurate estimate as to when the loan will close. This is also the person you should call for an updated Loan Estimate Disclosure (which we'll discuss later in this chapter).

Underwriter

- Gives final loan approval.
- Reviews all the documentation in your file, paying special attention to your credit report and credit score.

If the underwriter determines, with some additional documentation, that the loan can be approved, they'll make a list of exceptions and return the file to the processor. The processor and originator will work with you to resolve the exceptions so the underwriter can sign off on the loan. At that point, your loan file goes to the lender's closing department.

What Happens Next?

Buying a home is both a legal and a financial transaction, so your next steps will include a variety of important paperwork.

Be prepared to provide, review and sign several documents as you work your way through the process. Here's some of what you can expect:

Application

Your mortgage application will include the following:

- The borrower's name.
- The borrower's income.
- The borrower's Social Security number (to obtain a credit report).
- The property address.
- An estimated value of the property.
- The mortgage loan amount sought.

Once the lender has received the information listed above, it constitutes an application and triggers the requirement to send a Loan Estimate within three business days.

Loan Estimate

Once an application is received, the lender has three business days to provide a **Loan Estimate (LE)** that gives you an estimate of your closing costs. The estimate should be close to what you will pay at closing, but because it is an estimate, it could be slightly different.

The estimate includes costs for:

- Points — fees paid directly to the lender at closing in exchange for a reduced interest rate.
- Appraisal — an unbiased estimate of the fair market value of what a home is worth.
- Title search — will reveal whether there are any outstanding mortgages, liens, judgments, unpaid taxes or valid claims of ownership other than the seller's associated with the property.

- Title insurance — protects property buyers and mortgage lenders against defects or problems with a title when there is a transfer of property ownership.
- Survey — the process of locating and measuring a property's boundary lines to determine the exact amount of land that a homeowner owns.
- Recording fees — a fee charged by your local recording office, usually city or county, for the recording of public land records.
- Attorney fees — the cost for an attorney to review the closing documents on behalf of the buyer or the lender.
- Origination fee — covers the lender's administrative costs, usually this is equal to 1% of the loan amount. You can sometimes find mortgages with no origination fee.

In addition, the lender will provide you with a booklet called, "Your Home Loan Toolkit: A Step-By-Step Guide." This booklet can help you make better purchasing choices, get the best mortgage, understand your closing costs and be a successful homeowner. Visit the Consumer Financial Protection Bureau website at consumerfinance.gov for a sample booklet.

You'll find a sample Loan Estimate at the end of this chapter.

GOOD TO KNOW

A new Loan Estimate is automatically provided when you lock in your interest rate or if there are any changes in circumstances.

Changes in circumstances may include:

- War.
- Natural disaster.
- Unexpected events specific to the borrower or transaction, such as:
    - Loss of employment.
    - Increase in the sale price or loan amount.
    - Survey requirement.

Written List of Service Providers

Creditors are required to identify settlement services the borrower can shop for.

The Written List of Service Providers form lists at least one available provider per service and includes:

- The type of service (for example, the pest inspection fee).
- Estimated cost.
- Contact information for the provider.

The document also states that the borrower can select any of the providers listed or choose a different provider — one not included on the list.

Understanding Discount Points

Discount points are upfront interest you pay as part of your closing costs in exchange for a lower interest rate. One point is equal to 1% of the loan amount. In some cases the seller may agree to pay points on your behalf.

Almost every mortgage loan has a one-point origination fee, used to cover the cost of processing the loan. Although the lender will assist you with getting the best rate, the number of points you pay is ultimately up to you.

GOOD TO KNOW

Points are usually tax-deductible in the year they're paid. Check with your tax advisor to see if you qualify for this deduction. Origination fees are not tax-deductible.

The Appraisal

Before a lender loans you money to buy a property, they'll have the property appraised to determine whether its value is at least the amount of the sale price. The lender will loan the lesser of the sale price and appraisal amount to ensure that they don't lend more than the property is worth.

To establish the value of the home, the appraiser will compare the home to other similar (comparable) homes in the area, including recently sold properties. The appraiser also looks closely at the house to determine:

- Size and number of rooms.
- Type of construction.
- Condition of the property's interior and exterior.

After reviewing the home, property and the surrounding neighborhood, the appraiser will provide a value for the home, along with supporting documentation.

What if the appraisal is less than the sale price?

If you're buying a house for $100,000 and the house only appraises for $98,000, either you'll have to pay the $2,000 difference or the seller will have to reduce the price.

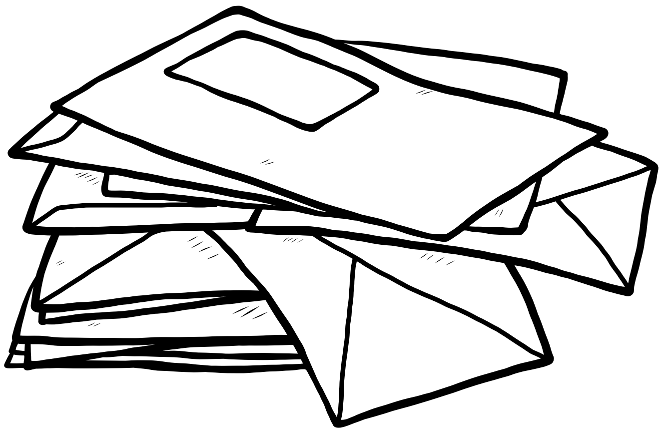
If you don't want to pay the additional $2,000 in cash, and the seller isn't willing to lower the price, you can cancel your sale contract, as long as there is a contingency in the contract stating that the house must appraise for at least the sale price.

PRO TIP

An appraisal is completely separate and different from a home inspection. You'll learn more about these differences in Chapter 6, "All you need to know about the Home Inspection."

Who orders the appraisal?

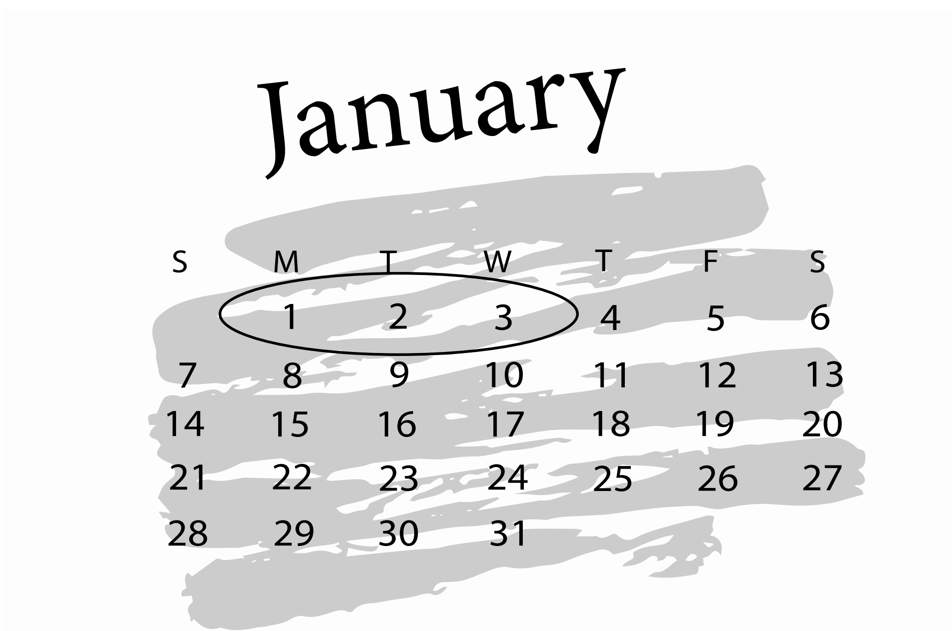
Usually, the lender or loan processor orders the appraisal. However, the homebuyer pays for the appraisal through the lender. The cost of the appraisal will typically range between $500-$550, depending on the type of loan you have selected. This cost is paid at closing and is part of the closing costs. The appraisal is only ordered after both the buyer and the seller have signed a sale contract.



PRO TIP

The appraisal can give you reliable information about the value of your home that may be useful in the future.

The lender must notify you in writing within three business days of your application of your right to receive a copy of any appraisal conducted in connection with the application. The lender must deliver copies of the appraisal promptly upon completion, within three business days or before loan closing, whichever is earlier.



Interest, Payments and Escrow

Once you've decided on the best type of loan, you'll want to know the interest rate available on that loan. Remember, the higher the interest rate, the higher your monthly principal and interest payments will be.

If you're worried about the interest rate going up, locking in a rate may be a good idea. **Locking in a rate guarantees that rate for a certain period of time.** The lender will explain your options.

If you decide to lock in the rate, you'll want to:

- Get the commitment in writing.
- Be sure the rate is locked for a long enough time period for you to close on the loan.
- Ask the lender whether you have to pay a commitment fee for locking in the rate.
- Find out whether the lock includes both the rate and points.

PITI: Principal, Interest, Taxes and Insurance

Almost every loan payment for a first mortgage will include what lenders call PITI: Principal, Interest, Taxes (real estate taxes) and Insurance.

- Principal is the original balance of money lent, excluding interest. It also refers to the remaining balance of a loan.
- Interest is the amount a lender charges to borrow money, expressed as a percentage.
- Taxes refer to the real estate taxes assessed by the city or county.
- Insurance includes homeowners/hazard insurance and any mortgage insurance.

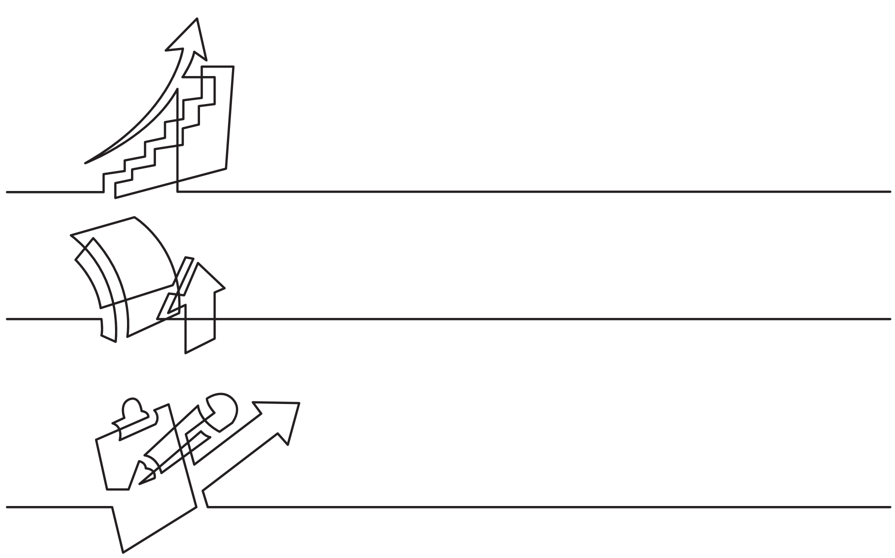
PRO TIP

The interest rate may have discount points associated with it. Read on for a discussion about discount points and how they can affect your costs at closing.

Mortgage insurance, which protects the lender against default, can have both an upfront premium and a monthly premium associated with it. The type of mortgage insurance required depends on the type of loan.

Conventional loans require Private Mortgage Insurance (PMI). If the borrower is making a down payment of less than 20%, there must be PMI. There can be both an upfront premium and a monthly premium associated with this type of loan.

FHA loans require Mortgage Insurance Premium (MIP). This includes an upfront premium of 1% of the loan amount in addition to a monthly premium. The upfront premium can be financed into the loan.



Understanding Escrows

An escrow is a trust account held by the lender or servicer in the borrower's name to pay the real estate taxes and homeowners/hazard insurance. After the mortgage loan is closed, your escrow account is established and funds are deposited monthly to pay your taxes and insurance.

Here's how it works:

1. When you make your monthly mortgage payment, you're paying for principal, interest, taxes and insurance.
2. The loan servicer will apply a portion of your monthly mortgage payment into your escrow account.
3. When your taxes and insurance premiums are due, usually once or twice a year, the loan servicer will pay these bills on your behalf, using the funds in your escrow account.

If you make a down payment of 20% or more on a conventional loan, the escrow account may be negotiable. Ask your lender.

Even if you have a fixed-rate loan, your payment will still go up over time. While your principal and interest payment will remain the same, your real estate taxes and homeowners/hazard insurance will usually increase. We will discuss more about this in the last chapter. To have sufficient funds to pay these bills, the servicer will let you know how much to increase your monthly payment.

PRO TIP

You should receive an escrow account statement at least once each year. The servicer of your loan may not be the same institution that originated the loan.

Paying Your Mortgage

Your first payment is not due until one month after the last day of the month you close. The first mortgage payment is always due on the first day of the month, and always includes principal, interest, taxes and insurance.

GOOD TO KNOW

The amount of time you have before your first payment depends on the day of the month you close on your mortgage.

One month after your closing date, your first payment is due on the first of the following month.

EXAMPLE:

If your loan closing occurs **within the first five days of January,** your first payment will be due on February 1. (There will be no month without a house payment.)

However, if you close between the 1st and 5th of the month, your lender may give you a mortgage interest credit. The mortgage interest credit is your payment of the per diem interest for the additional days remaining in the month. If you choose this option, your first payment will not be due until March 1.

The per diem interest is part of your closing costs and is paid at closing. Your lender would be your best guide as to whether or not the mortgage interest credit option would be the best choice for your situation.

If your loan **closes between January 6 and January 31,** your first mortgage payment won't be due until March 1.

PRO TIP

If you're able to time your closing so you can skip a month in house payments, consider using the money you save to help pay for moving expenses, connection and disconnection of utilities and other relocation costs.

Understanding Per Diem Interest

Depending on which day of the month your loan closes, an adjustment will be made to your first month's interest to ensure you only pay for the number of days remaining in the month.

This adjustment, to be calculated at closing, is based on the number of days between your closing date and end of the month. The adjusted amount for your first month's interest is known as **per diem interest**.

GOOD TO KNOW

"Per diem" means daily.

The fewer days there are between your closing date and the end of the month, the lower your per diem interest will be. Knowing this, most homebuyers try to schedule their closing date as late in the month as possible.

As a result, the end of the month is usually an extremely busy time for lenders' closing departments, as well as for the paralegals working in settlement agent and attorney offices. To help prevent these end-of-month bottlenecks in their closing departments, some lenders now offer an interest credit to borrowers who choose to close within the first five days of a month.

EXAMPLE:

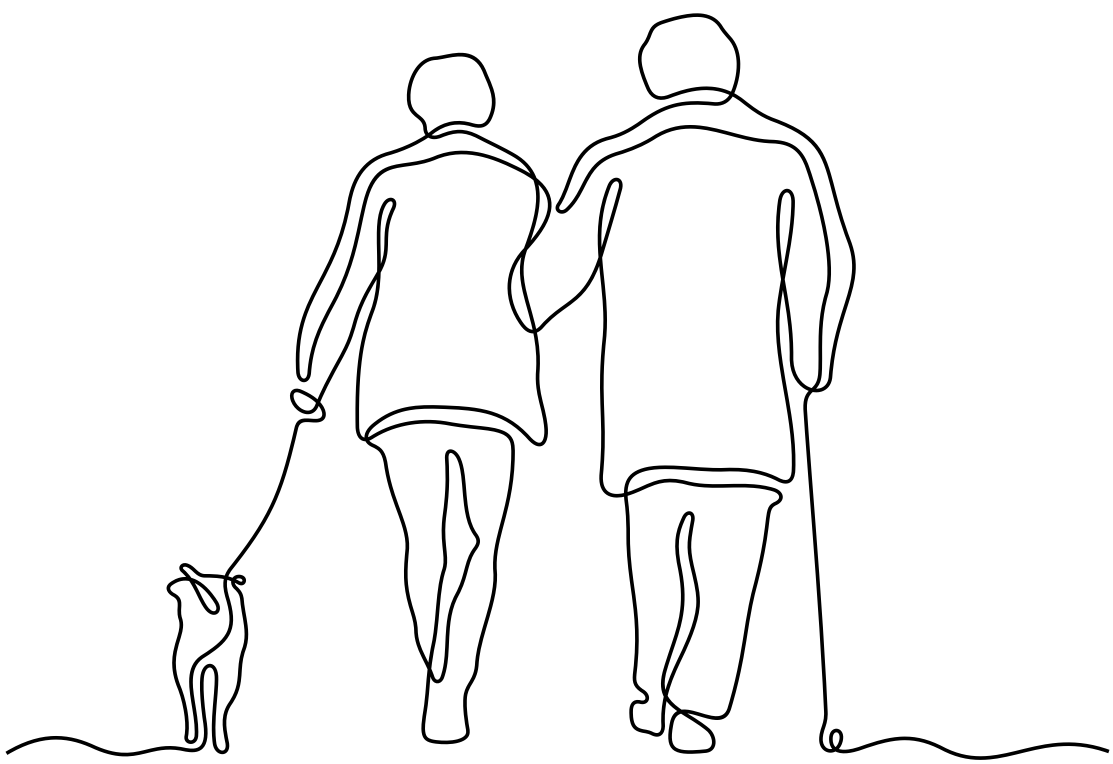
If you close on the fifth day of the month and receive a credit for five days' worth of interest at $25 a day, that credit would add up to a savings of $125 for you on closing day.

PRO TIP

While many lenders grant an interest credit for closing early enough in the month, most don't offer it automatically, so be prepared to ask for it.

GOOD TO KNOW

Examine your own circumstances to decide the best time of the month for you to close. For instance, if you're in a rental situation where you're paying per day or per week once you've given notice, you may find the cost of the per diem interest is less than what you're paying in rent, in which case it may make sense for you to close earlier, rather than later, in the month.



Homeownership Made Affordable

Mortgage Loans from VHDA

VHDA offers a variety of home mortgage loans designed to meet the needs of today's homebuyers. Our loans provide high loan-to-value options, flexible underwriting, down payment and closing cost assistance, plus our interest rates are fixed for 30 years.

All loans have maximum income and sale price limits and/or loan limits, which vary according to where the home is located. To learn more about our loan programs, visit vhda.com.

Mortgage Credit Certificate from VHDA

A Mortgage Credit Certificate (MCC) from VHDA may save you thousands of dollars by reducing the amount of federal income tax you owe each year.

Benefits:

- Dollar-for-dollar credit toward your federal income tax liability.
- Annual credit is equal to 20% of the annual mortgage interest you pay.
- Effective for the life of the mortgage; as long as you live in the home.
- Your MCC may not have a fee if issued with a VHDA first mortgage loan. Ask your lender if fees will be charged.
- Borrowers may also be eligible for a VHDA Plus Second Mortgage or a Down Payment Assistance Grant.

Requirements:

- You must be a first-time homebuyer (not owned a home as a primary residence within the past three years). This requirement may be waived if purchasing a home in a Federal Targeted Area, see vhda.com.
- The home must be used as your principal residence. Maximum household income limits apply, see vhda.com/LoanLimits.
- You purchase a home that meets the sale price/loan limit requirements, see vhda.com/LoanLimits.

Not everyone will benefit from an MCC. You must have a tax liability to benefit from an MCC. The credit claimed cannot exceed your annual tax liability after all other credits and deductions. Unused credits may be carried forward for three years.

VHDA determines whether homebuyers qualify for MCCs under the Internal Revenue Code, but homebuyers must determine for themselves whether an MCC will save them money and how valuable an MCC will be for them over the life of their loan. VHDA cannot and does not give any tax advice to anyone. Please consult with your tax advisor to see if an MCC is right for you.

The scenario below shows an example of your potential savings. The example is based on a $150,000 loan with an interest rate of 5%.

$150,000 x 5% = $7,450 (Interest for first full year)	
x Tax Credit Rate:	20%
Maximum Credit:	$1,490 tax savings for the year
The savings continue each year you live in the home.	

How do you apply for an MCC?

Contact an approved lender. To find one near you, visit vhda.com/MCCLender. For more information about VHDA's MCC program, visit vhda.com/MCC.

Down Payment Assistance (DPA)

The purchase of a home includes the contract sale price plus added costs. The added costs are often referred to as closing costs or down payment. These additional charges and fees are often assessed to the buyer and not paid by the lender.

This will include:

- Costs connected with obtaining the loan.
- Pre-paid insurances.
- Local/state taxes.
- Deed recording fees.

Sellers may pay all or some of the closing costs for the buyer. A down payment assistance (DPA) program can also help with the financial cost of buying a home.

What is DPA?

DPA is financial assistance available to eligible borrowers to help pay the down payment cost. There are various resources available to help families and individuals with closing or down payment costs.

Ways to Save on Energy

Renovation loans, such as FHA's 203K loan, can help you install energy-saving improvements as well as complete repairs.

Utility companies and the Virginia Division of Energy often have programs for energy improvements and tips on how to save on energy after you move into your new home. The cost for improvements would not be a part of your mortgage but would be a second mortgage with a monthly payment that would be considered in your loan application. In addition, energy efficiency rebate programs are sometimes available that allow you to deduct the cost of energy improvements from your taxes. To see the financing, grants and programs that are currently available, visit dmme.virginia.gov.

Most utility companies offer energy conservation programs such as:

- Energy calculators that can translate into real savings by showing you where you are using the most energy.
- Energy audits (sometimes at no charge) to evaluate your current energy use and provide suggestions on energy saving improvements.

While an energy audit can be helpful, a professionally conducted Home Energy Rating System (HERS) analysis is much more sophisticated. Also, when you get a HERS analysis, your house may be eligible for many of the available Energy Efficient Mortgages.

It includes:

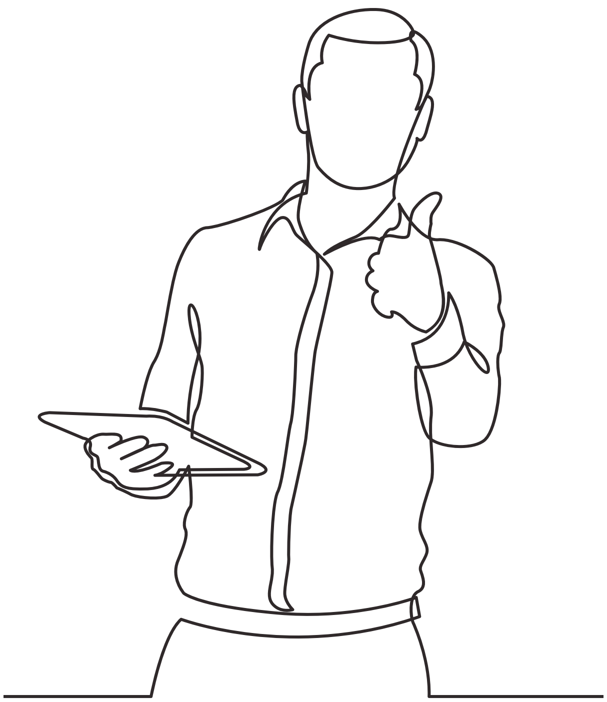
- An examination of existing energy costs.
- Design of an energy saving package of improvements, including costs.

For tips on saving energy and how to improve your home's efficiency after you move into your new home, visit the following websites:

Virginia Division of Energy: **dmme.virginia.gov**

Department of Energy and the Environmental Protection Agency (EPA): **Energystar.gov**

Dominion Energy: **DominionEnergy.com**



You've now got some great information!

In this chapter, you've learned about:

- Mortgages and the different types.
- How to understand the home closing process.
- Understanding why the type of interest you're paying matters.
- What an appraisal means.

Forms included at the end of this chapter:

- Loan Estimate.
- Mortgage Loan Checklist.
- Uniform Residential Loan Application (Mortgage Loan Application).

FICUS BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED	2/15/2013
APPLICANTS	Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345
PROPERTY	456 Somewhere Avenue Anytown, ST 12345
SALE PRICE	$180,000

LOAN TERM	30 years
PURPOSE	Purchase
PRODUCT	Fixed Rate
LOAN TYPE	☒ Conventional ☐ FHA ☐ VA ☐ _____________
LOAN ID #	123456789
RATE LOCK	☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT *Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on* ***3/4/2013*** *at 5:00 p.m. EDT*

Loan Terms

Loan Terms		Can this amount increase after closing?
Loan Amount	$162,000	**NO**
Interest Rate	3.875%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$761.78	**NO**
		Does the loan have these features?
Prepayment Penalty		**YES** • **As high as $3,240** if you pay off the loan during the first 2 years
Balloon Payment		**NO**

Projected Payments

Payment Calculation	**Years 1-7**	**Years 8-30**
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow *Amount can increase over time*	+ 206	+ 206
Estimated Total Monthly Payment	$1,050	$968

Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$206 a month	**This estimate includes** ☒ Property Taxes ☒ Homeowner's Insurance ☐ Other: *See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.*	**In escrow?** **YES** **YES**

Costs at Closing

Estimated Closing Costs	$8,054	Includes $5,672 in Loan Costs + $2,382 in Other Costs – $0 in Lender Credits. *See page 2 for details.*
Estimated Cash to Close	$16,054	Includes Closing Costs. *See Calculating Cash to Close on page 2 for details.*

Visit **www.consumerfinance.gov/mortgage-estimate** for general information and tools.

Closing Cost Details

Loan Costs

A. Origination Charges	$1,802
.25 % of Loan Amount (Points)	$405
Application Fee	$300
Underwriting Fee	$1,097

B. Services You Cannot Shop For	$672
Appraisal Fee	$405
Credit Report Fee	$30
Flood Determination Fee	$20
Flood Monitoring Fee	$32
Tax Monitoring Fee	$75
Tax Status Research Fee	$110

C. Services You Can Shop For	$3,198
Pest Inspection Fee	$135
Survey Fee	$65
Title – Insurance Binder	$700
Title – Lender's Title Policy	$535
Title – Settlement Agent Fee	$502
Title – Title Search	$1,261

D. TOTAL LOAN COSTS (A + B + C)	$5,672

Other Costs

E. Taxes and Other Government Fees	$85
Recording Fees and Other Taxes	$85
Transfer Taxes	

F. Prepaids	$867
Homeowner's Insurance Premium (6 months)	$605
Mortgage Insurance Premium (months)	
Prepaid Interest ($17.44 per day for 15 days @ 3.875%)	$262
Property Taxes (months)	

G. Initial Escrow Payment at Closing			$413
Homeowner's Insurance	$100.83	per month for 2 mo.	$202
Mortgage Insurance		per month for mo.	
Property Taxes	$105.30	per month for 2 mo.	$211

H. Other	$1,017
Title – Owner's Title Policy (optional)	$1,017

I. TOTAL OTHER COSTS (E + F + G + H)	$2,382

J. TOTAL CLOSING COSTS	$8,054
D + I	$8,054
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	$8,054
Closing Costs Financed (Paid from your Loan Amount)	$0
Down Payment/Funds from Borrower	$18,000
Deposit	– $10,000
Funds for Borrower	$0
Seller Credits	$0
Adjustments and Other Credits	$0
Estimated Cash to Close	$16,054

Additional Information About This Loan

LENDER	Ficus Bank
NMLS/__ LICENSE ID	
LOAN OFFICER	Joe Smith
NMLS/__ LICENSE ID	12345
EMAIL	joesmith@ficusbank.com
PHONE	123-456-7890

MORTGAGE BROKER	
NMLS/__ LICENSE ID	
LOAN OFFICER	
NMLS/__ LICENSE ID	
EMAIL	
PHONE	

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	$56,582 $15,773	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.
Annual Percentage Rate (APR)	4.274%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Assumption If you sell or transfer this property to another person, we
- ☐ will allow, under certain conditions, this person to assume this loan on the original terms.
- ☒ will not allow assumption of this loan on the original terms.

Homeowner's Insurance This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment If your payment is more than *15* days late, we will charge a late fee of *5% of the monthly principal and interest payment.*

Refinance Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Servicing We intend
- ☐ to service your loan. If so, you will make your payments to us.
- ☒ to transfer servicing of your loan.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature Date Co-Applicant Signature Date

Additional Details for Services You Can Shop For

To get you started with shopping, this list identifies some providers for the services you can shop for (see Section C on page 2 of your Loan Estimate).

Service Provider List **You can select these providers or shop for your own providers.**

Service	Estimate	Provider We Identified	Contact Information

Additional Details for Services You Cannot Shop For

Service Provider List **You can only select from these providers for these services.**

Service	Estimate	Provider We Identified	Contact Information

APPLICANTS: DATE ISSUED: LOAN ID #

Mortgage Loan Checklist

1 PERSONAL INFORMATION

- [ ] Valid photo ID such as a driver's license or government ID.
- [ ] Social Security numbers for all applicants for credit check.
- [ ] Addresses and dates of occupancy for all residences for the past two years.
- [ ] Names and contact info of all landlords within the last 2 years.
- [ ] Final Divorce decree and any stipulations.

2 EMPLOYMENT/INCOME

- [ ] Name, address, phone number, and dates of employment for all employers over the last 2 years.
- [ ] 30 days' worth of paystubs.
- [ ] Copies of social security, pension, and/or retirement award letters and corresponding 1099s.
- [ ] Last 2 years' W2s and signed personal federal tax returns, including all schedules.
- [ ] If self-employed or receive commission: Last 2 years' personal tax returns.
- [ ] If you own a business: Last 2 years' business tax returns.
- [ ] Explanation letter for any employment gaps.
- [ ] Rental income: Rental agreements/leases for all real property owned. (FHA requires one-year lease agreements.)
- [ ] Proof of consistent receipt of court ordered child support and alimony if considered as part of qualifying income.

3 ASSETS

- [ ] 2-months most recent bank statements for all checking and savings accounts. (Include joint and youth accounts.)
- [ ] Verification of all cash and check deposits in checking and savings account.
- [ ] 2-months statements for all investment and retirement Accounts. (Including stocks, bonds, etc.)
- [ ] Life insurance cash value, if any.
- [ ] Documentation for real estate currently owned, if any.
- [ ] Gift letter for funds in borrower's account will be verified.

4 CREDIT/LIABILITIES

- [ ] Letter of explanation for any credit mishaps. (Slow pays, collections, judgements, etc.)
- [ ] General knowledge of your current credit card, student loan, auto loan, and other credit obligations. Credit report information may be outdated, missing, or erroneous.
- [ ] Bankruptcy and discharge paperwork (if applicable).
- [ ] Annual statement, 12-month payment history, and loan type for any existing mortgages (If applicable).

5 PROPERTY YOU ARE BUYING
(Your real estate agent will assist with this)

- [ ] Purchase contract accepted and signed by all parties.
- [ ] Appraisal showing a value of at least the purchase price. (Your lender will order)
- [ ] Name and contact information for the homeowner's insurance company you will use.
- [ ] Name and phone number for the homeowner's association, if applicable.
- [ ] A home inspection report is typically not required by your lender, but it's a good idea to get an inspection.
- [ ] Name, address and phone numbers for the title company and escrow office or closing attorney.
- [ ] Copy of check for earnest money deposit.

To be completed by the ***Lender:***
Lender Loan No./Universal Loan Identifier ______________________ Agency Case No. ______________

Uniform Residential Loan Application

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

Section 1: Borrower Information.

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

1a. Personal Information

Name *(First, Middle, Last, Suffix)*

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

Social Security Number ______–_____–______
(or Individual Taxpayer Identification Number)

Date of Birth *(mm/dd/yyyy)*
____/____/______

Citizenship
○ U.S. Citizen
○ Permanent Resident Alien
○ Non-Permanent Resident Alien

Type of Credit
○ I am applying for **individual credit.**
○ I am applying for **joint credit.** Total Number of Borrowers: ________
Each Borrower intends to apply for joint credit. ***Your initials:*** ______

List Name(s) of Other Borrower(s) Applying for this Loan
(First, Middle, Last, Suffix)

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

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

Contact Information
Home Phone (____) ____ – ______
Cell Phone (____) ____ – ______
Work Phone (____) ____ – ______ **Ext.**________
Email ______________________

Current Address
Street ______________________ Unit # ________
City ______________ State_____ ZIP __________ Country ______________
How Long at Current Address? _____ Years _____ Months **Housing** ○ No primary housing expense ○ Own ○ Rent ($_______ /month)

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

Mailing Address – *if different from Current Address* ☐ ***Does not apply***
Street ______________________ Unit # ________
City ______________ State_____ ZIP __________ Country ______________

Military Service – Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? ○ **NO** ○ **YES**
If YES, check all that apply:
☐ Currently serving on active duty with projected expiration date of service/tour ____ / ______ *(mm/yyyy)*
☐ Currently retired, discharged, or separated from service
☐ Only period of service was as a non-activated member of the Reserve or National Guard
☐ Surviving spouse

Language Preference – **Your loan transaction is likely to be conducted in English.** This question requests information to see if communications are available to assist you in your preferred language. Please be aware that communications may NOT be available in your preferred language.

Optional – Mark the language you would prefer, if available:
○ English ○ Chinese ○ Korean ○ Spanish ○ Tagalog ○ Vietnamese ○ Other: __________ ○ I do not wish to respond

Your answer will NOT negatively affect your mortgage application. Your answer does not mean the Lender or Other Loan Participants agree to communicate or provide documents in your preferred language. However, it may let them assist you or direct you to persons who can assist you.

Language assistance and resources may be available through housing counseling agencies approved by the U.S. Department of Housing and Urban Development. To find a housing counseling agency, contact one of the following federal government agencies:

- U.S. Department of Housing and Urban Development (HUD) at (800) 569-4287 or www.hud.gov/counseling.
- Consumer Financial Protection Bureau (CFPB) at (855) 411-2372 or www.consumerfinance.gov/find-a-housing-counselor.

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

Employer or Business Name ____________ Phone (____) ____ – ________
Street ____________
City ____________ State ______ZIP ________

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

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

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

Gross Monthly Income

Base	$__________	/month
Overtime	$__________	/month
Bonus	$__________	/month
Commission	$__________	/month
Military Entitlements	$__________	/month
Other	$__________	/month
TOTAL	$__________	**/month**

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

Employer or Business Name ____________ Phone (____) ____ – ________
Street ____________
City ____________ State ______ZIP ________

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

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

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

Gross Monthly Income

Base	$__________	/month
Overtime	$__________	/month
Bonus	$__________	/month
Commission	$__________	/month
Military Entitlements	$__________	/month
Other	$__________	/month
TOTAL	$__________	**/month**

1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income ☐ ***Does not apply***

Provide at least 2 years of current and previous employment and income.

Employer or Business Name ____________
Street ____________
City ____________ State ______ZIP ________
Position or Title ____________
Start Date ____ /______ *(mm/yyyy)* **End Date** ____ /______ *(mm/yyyy)*

☐ **Check if you were the Business Owner or Self-Employed**

Previous Gross Monthly Income
$____________

1e. Income from Other Sources ☐ ***Does not apply***

Include income from other sources below. Under Income Source, choose from the sources listed here:

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

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

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

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

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

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

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

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

2b. Other Assets You Have
☐ ***Does not apply***

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

- Earnest Money
- Proceeds from Sale of Non-Real Estate Asset
- Proceeds from Real Estate Property to be sold on or before closing
- Sweat Equity
- Employer Assistance
- Rent Credit
- Secured Borrowed Funds
- Trade Equity
- Unsecured Borrowed Funds
- Other

Asset Type – *use list above*	**Cash or Market Value**
	$
	$
	$
Provide TOTAL Amount Here	**$**

2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe
☐ ***Does not apply***

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

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

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

2d. Other Liabilities and Expenses
☐ ***Does not apply***

Include all other liabilities and expenses below. Choose from the types listed here: • Alimony • Child Support • Separate Maintenance • Job Related Expenses • Other	**Monthly Payment**
	$
	$
	$

Borrower Name: ______________________________

Section 3: Financial Information — Real Estate.

This section asks you to list all properties you currently own and what you owe on them. ☐ ***I do not own any real estate***

3a. Property You Own

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

Address

Street ______________________ *Unit #* _____ *City* ______________ *State* _____ *ZIP* __________

Property Value	Status: Sold, Pending Sale, or Retained	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For Investment Property Only: Monthly Rental Income	For Investment Property Only: For LENDER to calculate: Net Monthly Rental Income
$		$	$	$

Mortgage Loans on this Property ☐ **Does not apply**

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

3b. IF APPLICABLE, Complete Information for Additional Property

☐ **Does not apply**

Address

Street ______________________ *Unit #* _____ *City* ______________ *State* _____ *ZIP* __________

Property Value	Status: Sold, Pending Sale, or Retained	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For Investment Property Only: Monthly Rental Income	For Investment Property Only: For LENDER to calculate: Net Monthly Rental Income
$		$	$	$

Mortgage Loans on this Property ☐ **Does not apply**

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

3c. IF APPLICABLE, Complete Information for Additional Property

☐ **Does not apply**

Address

Street ______________________ *Unit #* _____ *City* ______________ *State* _____ *ZIP* __________

Property Value	Status: Sold, Pending Sale, or Retained	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For Investment Property Only: Monthly Rental Income	For Investment Property Only: For LENDER to calculate: Net Monthly Rental Income
$		$	$	$

Mortgage Loans on this Property ☐ **Does not apply**

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

Borrower Name: ______________________________

Section 4: Loan and Property Information.

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

4a. Loan and Property Information

Loan Amount $ ______________ **Loan Purpose** ○ Purchase ○ Refinance ○ Other *(specify)* ______________

Property Address Street ______________ Unit # ______

City ______________ State ______ ZIP ______________

County ______________ Number of Units ________ **Property Value** $ ______________

Occupancy ○ Primary Residence ○ Second Home ○ Investment Property ○ FHA Secondary Residence

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

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

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

☐ ***Does not apply***

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

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

For Purchase Only ☐ ***Does not apply***

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

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

☐ ***Does not apply***

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

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

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

Borrower Name: ______________________________

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

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

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

5b. About Your Finances

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

Borrower Name: ____________________________

Section 6: Acknowledgments and Agreements.

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

Acknowledgments and Agreements

I agree to, acknowledge, and represent the following statements to:

- The Lender (this includes the Lender's agents, service providers and any of their successors and assigns); AND
- Other Loan Participants (this includes any actual or potential owners of a loan resulting from this application (the "Loan"), or acquirers of any beneficial or other interest in the Loan, any mortgage insurer, guarantor, any servicers or service providers of the Loan, and any of their successors and assigns).

By signing below, I agree to, acknowledge, and represent the following statements about:

(1) The Complete Information for this Application

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

(2) The Property's Security

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

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

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

(4) Electronic Records and Signatures

- The Lender and Other Loan Participants may keep any paper record and/or electronic record of this application, whether or not the Loan is approved.
- If this application is created as (or converted into) an "electronic application", I consent to the use of "electronic records" and "electronic signatures" as the terms are defined in and governed by applicable federal and/or state electronic transactions laws.
- I intend to sign and have signed this application either using my: (a) electronic signature; or (b) a written signature and agree that if a paper version of this application is converted into an electronic application, the application will be an electronic record, and the representation of my written signature on this application will be my binding electronic signature.
- I agree that the application, if delivered or transmitted to the Lender or Other Loan Participants as an electronic record with my electronic signature, will be as effective and enforceable as a paper application signed by me in writing.

(5) Delinquency

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

(6) Use and Sharing of Information

I understand and acknowledge that the Lender and Other Loan Participants can obtain, use, and share the loan application, a consumer credit report, and related documentation for purposes permitted by applicable laws.

Borrower Signature ______________________________ Date *(mm/dd/yyyy)* _____/_____/________

Borrower Signature ______________________________ Date *(mm/dd/yyyy)* _____/_____/________

Section 7: Demographic Information. This section asks about your ethnicity, sex, and race.

Demographic Information of Borrower

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

Ethnicity: *Check one or more*
- ☐ Hispanic or Latino
  - ☐ Mexican ☐ Puerto Rican ☐ Cuban
  - ☐ Other Hispanic or Latino – *Print origin:* ____________________
    For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.
- ☐ Not Hispanic or Latino
- ☐ I do not wish to provide this information

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

Race: *Check one or more*
- ☐ American Indian or Alaska Native – *Print name of enrolled or principal tribe*: ____________________
- ☐ Asian
  - ☐ Asian Indian ☐ Chinese ☐ Filipino
  - ☐ Japanese ☐ Korean ☐ Vietnamese
  - ☐ Other Asian – *Print race:* ____________________
    For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.
- ☐ Black or African American
- ☐ Native Hawaiian or Other Pacific Islander
  - ☐ Native Hawaiian ☐ Guamanian or Chamorro ☐ Samoan
  - ☐ Other Pacific Islander – *Print race:* ____________________
    For example: Fijian, Tongan, and so on.
- ☐ White
- ☐ I do not wish to provide this information

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

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

The Demographic Information was provided through:

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

Section 8: Loan Originator Information.

Loan Originator Information

Loan Originator Organization Name ____________________

Address ____________________

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

Loan Originator Name ____________________

Loan Originator NMLSR ID# ____________ State License ID# ____________

Email ____________________ Phone (____) ____ – ______

Signature ____________________ Date (*mm/dd/yyyy*) ____ / ____ / ______

Borrower Name: ____________________

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Chapter 3 Quiz

1. **Select the work of a loan processor in handling a mortgage loan application.**

   A. Meets with the borrower to complete the application and collect required documents.
   B. Approves the loan after reviewing the loan application and documents.
   C. Collects required documents and manages the status of the loan.

2. **Select the income verification that must be provided with a loan application by a first-time homebuyer.**

   A. Thirty days of the most recent pay stubs and W2s.
   B. Three years of income tax returns and W2s.
   C. Three years of income tax returns.

3. **Select when a Loan Estimate Disclosure may be issued.**

   A. Only when requested by the borrower.
   B. When the lender is ready to schedule closing.
   C. Three business days after receiving an application, when you lock in your interest rate, or when any circumstances change.
   D. At the time of loan application.

4. **Select the purpose of an appraisal.**

   A. To determine if the purchaser is getting a good deal on the house.
   B. To provide information for the purchaser to renegotiate the purchase contract.
   C. To determine if the value of the house is at least the amount of the sale price.

5. **Select how per diem interest is calculated.**

   A. Daily interest from loan approval to loan closing.
   B. Daily interest from the date the loan closes to the end of the month.
   C. Daily interest from the date the loan closes to the first payment.

6. **A pre-qualification requires verification of income by the lender.**

   ☐ True ☐ False

7. Completing a mortgage ready worksheet will help estimate purchasing power, or how much you can afford to spend when purchasing a home.

☐ True ☐ False

8. A pre-approval is a negotiating tool when submitting an offer on a home.

☐ True ☐ False

9. PITI includes monthly principal, interest, taxes and insurance costs.

☐ True ☐ False

10. Private mortgage insurance protects the borrower against foreclosure.

☐ True ☐ False

11. Closing costs will include prepaid items, such as hazard insurance and real estate taxes.

☐ True ☐ False

12. An escrow account is set up by the borrower to pay insurance and taxes.

☐ True ☐ False

13. The pre-approval process involves completing a mortgage application and providing 30 days of recent pay stubs, bank statements and other documentation.

☐ True ☐ False

14. FHA, VA and Conventional Mortgages provide energy efficient mortgages for existing and new construction.

☐ True ☐ False

15. Utility companies can provide energy audits to look at current energy usage and provide suggestions on energy saving improvements.

☐ True ☐ False

16. A pre-approval does not require providing documentation to the loan originator.

☐ True ☐ False

17. Lenders use the borrower's debt-to-income (DTI) ratios to qualify them for a mortgage loan.

☐ True ☐ False

18. It is not necessary to compare loans, interest rates, and terms before choosing a mortgage lender.

☐ True ☐ False

19. Once an application is received, the lender has five business days to provide a Loan Estimate (LE).

☐ True ☐ False

20. An appraisal determines the value of the home by comparing the home to other similar (comparable) homes in the area.

☐ True ☐ False

Answer Key:

1.	C	5.	B	9.	True	13.	True	17.	True
2.	B	6.	False	10.	False	14.	True	18.	False
3.	C	7.	True	11.	True	15.	True	19.	False
4.	C	8.	True	12.	False	16.	False	20.	True

Partners:

Working with a real estate agent to find the right home

Chapter 4

Choosing the right real estate agent is a crucial part of your journey to homeownership.

Your agent can help you find the home you've been dreaming about and serve as a knowledgeable partner, capable of walking you through the entire homebuying process. This is especially important if it's your first time buying a home.

In this chapter, you'll learn about:

- The importance of having a good real estate agent.
- Questions to ask a potential real estate agent.
- Making an offer on a house.
- Earnest money.
- Flood insurance.

As part of buying a home, you may decide you want to use the services of a real estate agent to help you locate potential properties.

Using a real estate agent has several advantages over just looking on your own. This is likely the biggest financial decision of your entire life and you want to have access to all of the possible resources that will benefit you. A real estate agent offers:

Education & expertise

Navigating through the home purchase process can be tricky. However, you don't need to know everything about it because a good real estate agent is well informed. They have a clear understanding of real estate language and can guide you step-by-step through the process.

Housing search

Researching local trends, market values and other vital info can be a tedious task, but your real estate agent will provide that service for you. That includes searching their online databases for prospective homes, gathering current market info, organizing neighborhood comparisons (comps) to find exactly what you are looking for and arranging appointments for you to tour homes.

Market conditions information

Having someone assist you with evaluating the quality of the home you want and comparing prices can help you avoid costly mistakes and wasted time. Information such as average cost per square foot of similar homes, median and average sale prices, number of days on the market and list versus sold prices can have a huge impact on you receiving the best deal.

Negotiating skills

A real estate agent knows the market. They can save you time, money and disappointment by helping you make the right offer. Having a savvy and professional negotiator on your side that is willing to play hardball when necessary, can be crucial to your particular needs.

Choosing a Real Estate Agent

There are many ways to find an agent. Referrals or word of mouth can be one of the best ways to find a real estate agent. Ask around if you have friends who have used an agent recently.

Another good resource to find a real estate agent is the internet. VHDA's website lists real estate agents who are members of our Real Estate Agent Connection. These agents have completed our training program and are experts in addressing the needs of first-time homebuyers and repeat buyers. To find a member-agent near you, visit vhda.com/FindARealEstateAgent.

GOOD TO KNOW

Keep in mind, not every agent is going to be the right fit for you. Take your time and put some thought into selecting an agent. You may want to interview two or three before you find the one that is the best fit for you. It's important that you feel comfortable with your agent since they'll be working closely with you to find a home that meets your needs.

Before you sign an exclusive contract, you should ask the real estate agent these questions:

Are you a full-time or part-time real estate agent?

Being a part-time agent may mean that he or she works with a smaller number of clients. Ask for days and hours of availability. Part-time or full-time, the agent should have good follow-up skills.

Any limits on availability for housing search?

Most real estate agents use a multiple listing service (MLS) to search for properties. Ask if the MLS they are using covers the area you are searching.

In which neighborhoods do you primarily work?

Find someone who works both in and around your main area of interest. Your agent should have solid knowledge of local markets.

What type of communication should I expect?

This is where you both set expectations for how often you should be updated, the best methods to use (email, text or over the phone). The agent should be easily accessible and return calls in a timely manner.

Are you part of a team?

It should be disclosed up front if you will work with one agent for the duration of the transaction or different people from the team at different times.

What is your home buying strategy for your clients?

Ask them to walk you through the home buying process when working with clients. Your agent should be able to explain things in a way you can understand, including home and finance options.

PRO TIP

Determine if the agent can explain things in a clear, concise manner. Barriers in communication can make the process challenging. Ask for clarity if you are having trouble understanding and if that does not work, you may want to consider using a different agent.

What Exactly Is a Realtor?

Not all real estate agents are Realtors, but all Realtors are real estate agents.

"Real estate agent" is a generic term that can be used by anyone with a license to sell real estate. Realtors are real estate professionals who are members of the National Association of REALTORS® and subscribe to its strict Code of Ethics, standards and practices related to real estate transactions.

This trade organization exists on a national level and usually has chapters at both state and local levels (i.e., Virginia REALTORS® and Northern Virginia Association of REALTORS®).

GOOD TO KNOW

You may also notice that some agents have other designations listed on their business cards, such as CRS or GRI.

The Certified Residential Specialist (CRS) designation is the highest credential awarded to residential sales agents, managers and brokers. It recognizes professional accomplishments in both experience and education.

The Graduate Realtor Institute (GRI) designation indicates that the REALTOR®, has gained in-depth knowledge on technical subjects as well as the fundamentals of real estate.

If you've decided to work with an agent in your home buying process, it's important to be aware of the different roles agents play in the process.

The first thing you need to know is that all agents work for a broker. A broker owns the real estate agency and is ultimately responsible for all transactions. The agent's and broker's main function is to assist buyers and sellers with the legal transaction of transferring property from one person to another and this legal function requires agents and brokers to be licensed by the state.

There are also several different types of real estate agents.

A ***seller's agent or listing agent*** represents the seller, assists with setting the sale price, markets the property for sale, and helps with negotiations.

A ***buyer's agent*** represents the buyer, locates potential properties, assists with negotiations, and protects the buyer's interests.

A ***dual agent*** represents both the buyer and the seller in the same transaction.

Designated representation is a situation in which the buyer and the seller are using the same broker, but are represented by different agents in the same firm.

How Are Real Estate Agents Paid?

Typically, it doesn't cost the potential homebuyer any money out of pocket to use a buyer's agent.

The seller pays a commission, or percentage of the sale price, to the seller-broker at loan closing. The commission is subtracted from the proceeds of the home sale, then shared between the buyer's agent and the seller's agent. Although the percentage and amount can vary, it's commonly 6% of the sale price.

This is a separate contract between the brokers and not something the buyer gets to negotiate as part of their offer.

PRO TIP

Be sure to ask at the beginning of the process how the agent will be paid.

Agent's Fees for Service

In some areas, a buyer's agent may charge the buyer "fees for service." **This can include an hourly rate that must be paid if the buyer does not purchase a house or a retainer fee that must be paid upfront when you sign an exclusive agreement**. The retainer fee is usually refunded when you settle at closing.

Real estate agents are self-employed and typically can charge any fee, under the guidance of their broker. One reason the agent may charge a fee for service is to see how serious of a client you are. The agent may spend weeks and sometimes months showing a potential buyer homes and the buyer may never purchase.

Some buyer's agents require the buyer to pay their brokerage firm's administrative/transaction fees at the time of purchase. This fee is to offset the costs of processing paperwork. The broker usually sets the policy of what the fee is going to be and the agent is charged after the closing has been completed. The agent extends this fee to his/her clients and that's how you end up paying it. If the agent waives the fee for his or her buyer, then the broker will deduct it from the agent's commission after closing.

GOOD TO KNOW

All fees paid to a real estate agent must first pass through the broker. Therefore, all payments should be made out to the brokerage firm. The broker will pay out any required commission or fees to the real estate agent.

Exclusive Right to Represent Buyer Agreement

Once you choose a buyer's agent to represent you, or a brokerage relationship is created, Virginia Law requires you to sign an ***Exclusive Right to Represent Buyer Agreement.*** This law was put in place July 1, 2012.

The law states that if you are looking for a real estate agent to provide advice and counsel that requires their professional judgment or discretion for the purpose of engaging in a real estate transaction, you are creating a brokerage relationship and an agreement must be in writing.

This exclusive agreement is designed to protect both the buyer and the real estate agent. It spells out the duties and obligations of both parties. This includes agency relationships, fees (including commissions), date the contract terminates and scope of duty. Signing this agreement ensures that you have a real estate agent legally committed to representing you and binds them to confidentiality. This written agreement ensures that both you and your agent understand exactly what's expected from each other.

A Legally Binding Contract

Before signing an exclusive agreement with an agent, be sure to read it carefully because this is a legally binding contract that locks you into working exclusively with that agent for the specified time period.

If you find a house on your own, the terms of the legal agreement with your buyer-broker, including any payments, must still be met. In addition, you will not be able to work with any other agent during the specified period of your exclusive agreement, unless that agent agrees to terminate the agreement.

If you are having issues with your agent, try these tips to ensure you are making the best decisions.

1. ***Try to work it out first*** – A good agent is hard to find. Try to explain your concerns to your agent before you go through the hassle of terminating the contract. Work to figure out the best options to address either improving the relationship or terminating the whole agreement.

2. ***Review your contract*** – Start by reading the fine print on your Exclusive Right to Represent Buyer Agreement. It will disclose under what conditions the contract can be

terminated prior to its expiration. In most cases, either side may be able to terminate the agreement with a letter of cancellation or termination. Make sure you get a signed termination document from your agent, as you are terminating a legal contract.

3. ***Talk to the broker*** – The exclusive agreement to work with an agent is essentially a contract between you and the brokerage firm. In certain situations, the broker may be able to terminate the agreement without the agent's involvement and possibly assign you a different agent.

4. ***Wait it out/seek legal advice*** – Each contract has a specified time period when it will expire. You could also speak with an attorney to determine your options. However, most agents would agree that if you are unhappy, it's better for the both of you to move on.

Tools of the Trade

As a homebuyer, it's important to understand what your real estate agent is using to look for houses and prices.

Multiple Listing Service

Most agents are members of a Multiple Listing Service (MLS). The MLS is a private computer database that is created, maintained and paid for by real estate professionals to help their clients buy and sell property.

It's a valuable tool that provides your agent with up-to-the-minute property information and the ability to quickly narrow the search to locate potential properties that meet your needs. The real estate market is a competitive and unique business. Competitors must cooperate with each other to ensure a successful transaction. The MLS systems facilitate that cooperation.

Comparative Market Analysis

Another tool your agent can use to help you is a Comparative Market Analysis (CMA). This report provides data on recently-sold properties in the surrounding area that are similar in square footage, age of construction, amenities, upgrades, condition and location to the property you are considering.

Your agent will use the CMA to determine the best offer for the house you are considering, as well as negotiate a deal when necessary. You want to think objectively about your purchase price and look at the facts to justify your offer.

PRO TIP

You'll be able to help your agent understand your housing priorities by completing a *"Know Your Housing Priorities"* checklist, found on the following page. Use this checklist to identify the most important features you're looking for in a home.

Knowing Your Housing Priorities

Use this checklist to help you and your real estate agent
determine your house-hunting requirements.

Buyer(s) Name: ____

Contact #: ______________________ ______________________

Price Range: $__________________ **to** $__________________

Lot Size/Acres: ______________ Type: __________________

Age of Home ☒ Existing ☐ New Construction

Type of Home
☐ Townhouse
☐ Single Family
☐ Manufactured
☐ Condominium
☐ No Preference

Style
☐ Rancher/1-Level
☐ Tri-Level
☐ Two-Story
☐ No Preference

Design
☐ Transitional
☐ Colonial
☐ Other
☐ Contemporary
☐ No Preference

Construction
☐ Vinyl Siding
☐ Brick
☐ Wood Siding
☐ Stucco
☐ No Preference

 # of Bedrooms _________ Full Baths _________ Half Baths _________

Rooms
☐ Formal Dining Room
☐ Basement
☐ Bonus Room
☐ Other

Extras
☐ Fireplace
☐ Garage #_____
☐ Porch/Deck
☐ Air Conditioning

Heat Type
☐ Heat Pump
☐ Forced Air
☐ Electric Baseboard
☐ Radiator
☐ Other ______________________________

Fuel Type ☐ Gas ☐ Electric ☐ Oil

Neighborhood

School Requirements

Public Transportation
☐ Yes ☐ No

Special Requirements/Preferences:

Keeping Track of House Details and Features

During your home search, you may visit a number of properties. In fact, a recent survey showed that the typical homebuyer looks at 12 to 15 homes before making a decision. Remembering all the features and details about each home you visit can be a challenge.

Here Are Some Ideas to Help You Stay Organized

- Ask for your own copy of the real estate agent's information sheet for each house they show you.
- Complete a "House Evaluation Checklist" for each house you visit, to help you keep track of important points and features that you liked or disliked. (You'll find this form on the following page.)
- Take note of specific things you may want to negotiate in a formal offer.
- Check for water damage and ask about any recently repaired areas.
- Make sure you know what is included in the purchase price. Some sellers will include appliances and others will not.
- View the surrounding neighborhood at different times of day. You can get the real feel of the neighborhood that you may not see otherwise.
- Ask questions about the condition of the roof, appliances, heating and cooling systems, electrical system and plumbing system.

House Evaluation Checklist

Property Address: ____

Price: $ ________________________ ☐ As is ☐ Negotiable
Asking

Name: ____________________________ $____________________
HOA/Condo Association **Monthly Fees/Dues**

Home Type	☐ Single Family ☐ Townhouse ☐ Condominium ☐ Manufactured ☐ Co-op
Home Style	☐ Rancher ☐ One-Level ☐ Two-Story ☐ Tri-Level ☐ Attached **or** ☐ Detached
Development	☐ Mixed-use ☐ Mixed-income ☐ Historical ☐ N/A

Rooms

☐ Bedrooms #_______ ☐ Full Baths # _______ ☐ Laundry Room ☐ Bonus Room ☐ Office

☐ Half Baths # _______ ☐ Eat-in Kitchen ☐ Basement ☐ Finished **or** ☐ Unfinished

Flooring ☐ Wood ☐ Carpet ☐ Tile ☐ Laminate

Appliances *Included?*

☐ Refrigerator Yes ___ No ___ ☐ Stove Yes ___ No ___ ☐ Microwave Yes ___ No ___

☐ Dishwasher Yes ___ No ___ ☐ Washer/Dryer Yes ___ No ___ ☐ Other _______________

Heat Type	☐ Heat Pump ☐ Forced Air ☐ Radiator ☐ Electric Baseboard ☐ Other
Fuel Type	☐ Gas ☐ Electric ☐ Oil ☐ Other _____________
Air Conditioning	☐ Yes Type: ______________________ ☐ No

Home Exterior	☐ Brick ☐ Wood Siding ☐ Vinyl Siding ☐ Cedar Siding ☐ Stucco ☐ Other
Home Condition	☐ Excellent ☐ Good ☐ Fair ☐ Need a lot of work

Miscellaneous Lot size/Acres _______ ☐ Garage #_____

☐ Shed ☐ Pool ☐ Fireplace ☐ Porch ☐ Deck

☐ Well ☐ Septic ☐ Sewer ☐ City Water

Public Transportation ☐ Yes ☐ No

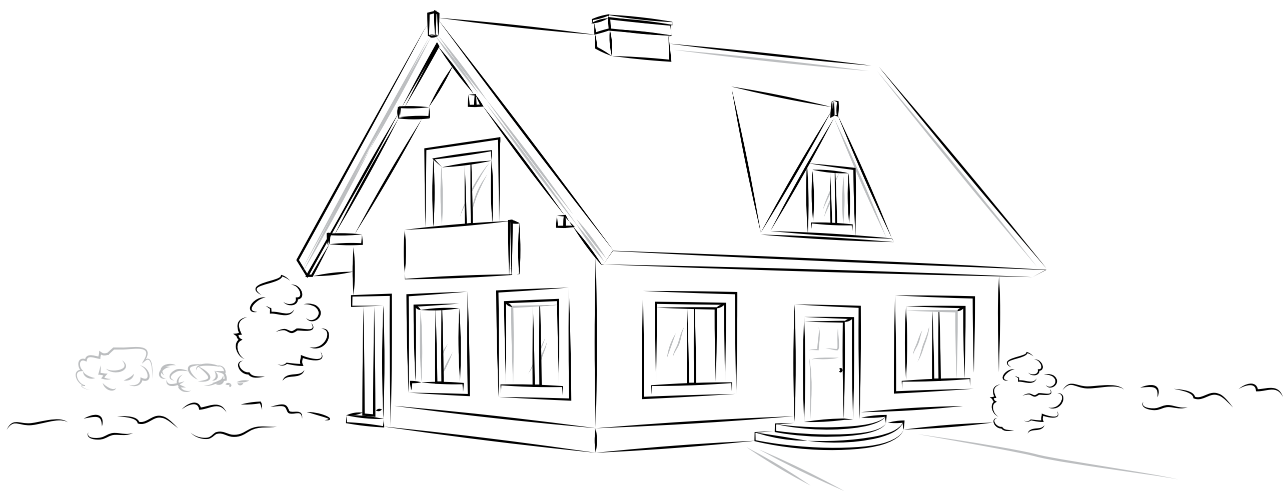
Schools

Elementary ____________________

Middle ____________________

High ____________________

A visual inspection of each home you visit can help you avoid costly repairs after your home purchase. Try to visually inspect each house for:



- Moss, mildew or mold on exterior siding.
- Soggy areas in the yard.
- A roof that sags in the middle.
- Walls that curve in or out.
- Windows or doors that look crooked.
- Porches that lean or sag.
- Diagonal cracks above doors & windows.
- A slipping or shifted foundation.
- Floors that feel uneven or spongy.
- Flaky paint on inside and/or outside.
- Odd odors, such as sewer gas.
- Signs of insects, especially termites or ants.

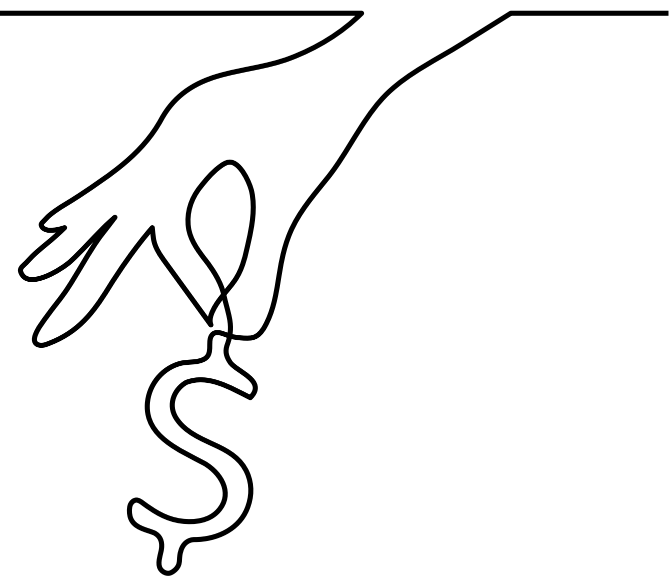
PRO TIP

Whenever you visit a house, take a tape measure, flashlight and camera (be sure to get permission before taking any photographs).

Making an Offer

Once you decide on the house you want, it's time to write a purchase offer. As you and your agent sit down to write the purchase offer, consider some of these negotiating factors:

- The length of time the house has been on the market.
- The condition of the house and any improvements or repairs that are needed.
- The amount of money that you (the buyer) are approved to borrow.
- Whether the asking price has already been reduced.
- The typical sale prices of homes in the surrounding area (use the Comparative Market Analysis for this information).



GOOD TO KNOW

It's important to consider the total cost of purchasing and owning the home in your negotiations. This includes how much you have to pay to buy the house such as: fees, points and closing costs as well as how much it will cost monthly to own the house.

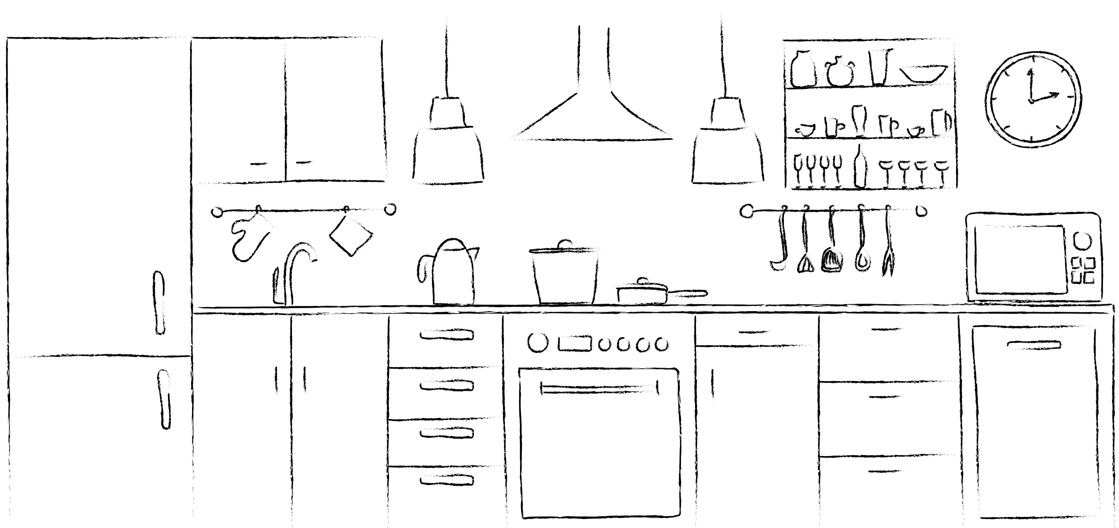
What About Contingencies?

The standard home purchase contract lists several conditions that must be met before the closing can take place. These conditions are called contingencies.

EXAMPLE:

- Satisfactory home inspection.
- Seller's completion of certain repairs.
- Personal property to be included in the purchase (such as appliances, ceiling fans, blinds, etc.).
- Property appraisal for at least the sale price.
- Buyer being able to secure a loan or other source of financing.

In addition to stating the price you're willing to pay for the house, your purchase offer should also specify any contingencies you and your agent decide should be included.



Should I Consider a Homeowner's Warranty?

A home warranty can provide peace of mind. It's a home protection plan that covers a variety of items and systems. A homeowner's warranty is something else the seller can be asked to provide as part of negotiating the contract.

A warranty costs approximately $400-$600 for basic coverage and can include appliances, heating and cooling systems, electrical and plumbing systems, etc. If one of the warranted items malfunctions during the coverage period, the owner (you) would only have to pay a small fee to have it repaired or replaced.

GOOD TO KNOW

Plans can vary, so be sure to ask specifically what is covered and if upgrades are available. The policies are prepaid for a year in advance at closing. When the warranty expires it can be renewed by the homeowner at a slightly higher fee.

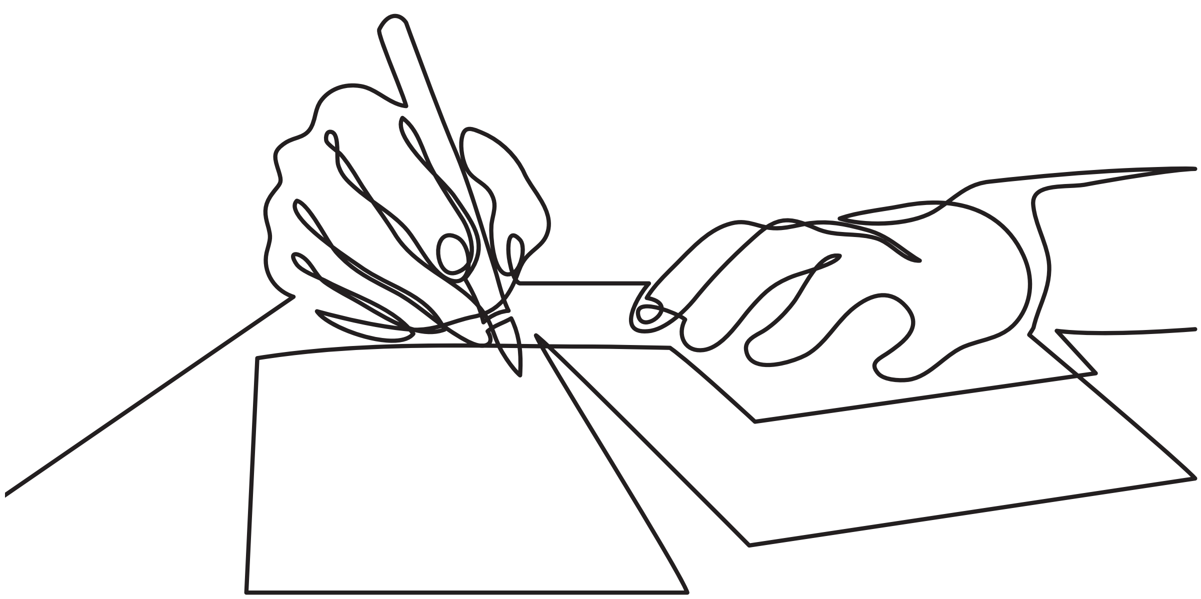
Submitting Your Offer

There are several documents that you will need to review and sign to submit your offer, so be prepared. These documents include, but are not limited to:

- Residential Contract of Purchase.
- Summary of Rights and Obligations of Sellers and Purchasers.
- Lead-based Paint Disclosure (if applicable).
- Home Inspection Contingency Addendum.
- General Disclosures Information.
- Pre-qualification or Pre-approval Letter.
- Residential Property Disclosure Statement.
- Addendum(s) to Residential Contract of Purchase.
- Copy of Earnest Money Deposit.

PRO TIP

If you have been pre-approved by a mortgage lender prior to writing your purchase offer, include the letter with your offer. This shows the seller that you are a qualified buyer, which could be a good negotiating tool.



Earnest Money Deposit

Customarily, the earnest money deposit (EMD) is part of the purchase offer. Earnest money is a show of sincerity and intent by the buyer to purchase the seller's home.

The amount of an earnest money deposit can vary based on location and circumstances, but is usually between $500-$1,000. Sometimes the seller may require a minimum amount of earnest money to include with an offer. However, your agent will help you determine the amount you should deposit.

Your earnest money deposit is an out-of-pocket expense you should include in your Spending and Savings Plan before you begin the home buying process.

If you will owe any money for closing costs and/or down payment, then your earnest money deposit will be applied to the total amount due. If there is no money due from you to close your mortgage loan, then your earnest money deposit will be refunded to you.

GOOD TO KNOW

Your EMD is in jeopardy should you default on the contract. Be sure to speak with your real estate agent to determine the legal reasons you can use to back out of the contract.

Once your written purchase offer is complete, your agent will deliver it to the seller's agent for review. The seller now has three options:

- Accept the offer.
- Reject the offer.
- Make a counteroffer.

If they accept your offer, they agree to your price and contingencies. If they reject your offer, it means they don't accept your terms and there will be no further negotiations on the proposed offer. The seller may also make a counteroffer that agrees to some of your terms, but renegotiates others.

EXAMPLE:

The seller is asking $175,000 for their house. You write an offer to purchase their house for $170,000, with the contingency that the seller must replace the carpet.

In their counteroffer, the seller agrees to your lower purchase price, but does not agree to your contingency of replacing the carpet.

Once the seller has made a counteroffer, it is now up to you (the buyer) to decide how to proceed.

Just like the seller, your three options are to accept their offer, reject their offer or write a counteroffer. This back-and-forth negotiation process continues until both parties have agreed on the terms and have signed off.

After the buyer and the seller both sign the purchase offer, it becomes a **ratified contract.**

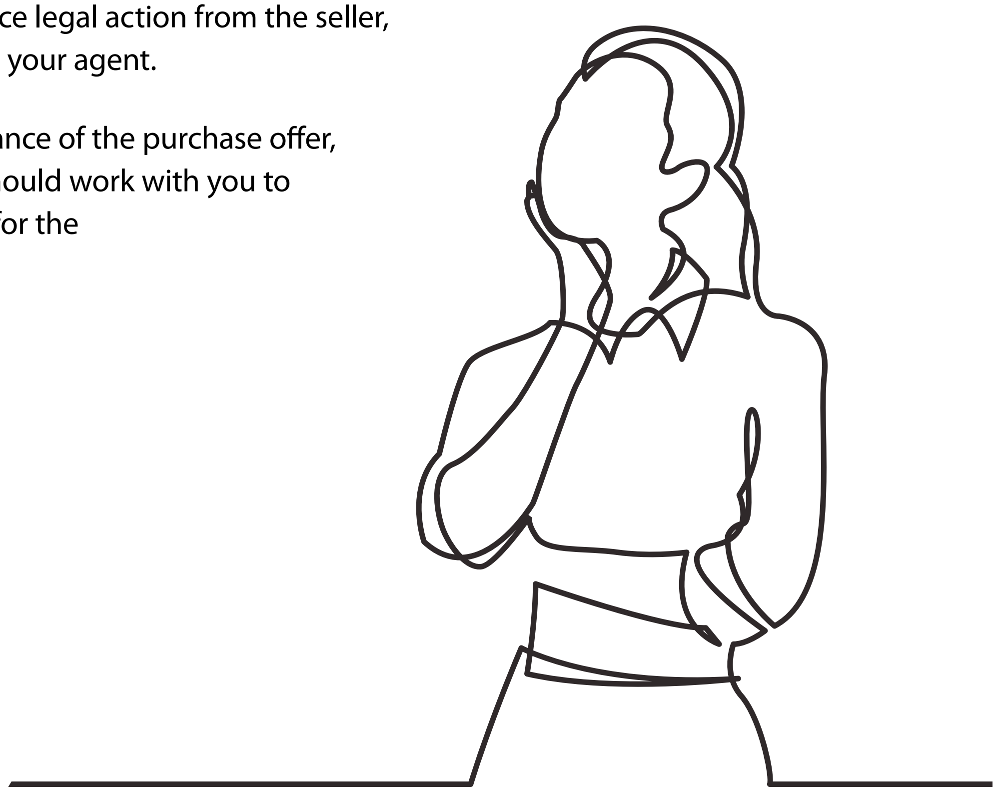
GOOD TO KNOW

A ratified contract is a legally binding agreement, which means that unless one of your contingencies is not satisfied, you are legally bound to buy the house. This is why it's very important to make a firm decision about the house and your desire to purchase it, before you write the offer and sign the contract.

Deciding to Not Purchase

If you change your mind and decide not to purchase the house, and are not protected by a contingency included in the contract, you may face serious consequences. You may have to forfeit your earnest money deposit and could possibly face legal action from the seller, their agent, and even your agent.

Upon mutual acceptance of the purchase offer, your buyer's agent should work with you to make arrangements for the home inspection.



Calling a Condominium Home

Purchasing a condominium is a great way for individuals to become homeowners.

The access to amenities and no exterior maintenance can be a big attraction. However, there are some additional layers of risk that are involved with a condo purchase. These risks must be understood in order to make an informed decision.

A condo purchase doesn't just include your unit. You are also buying into shared space and responsibility, such as building maintenance and repair, with other owners as well. To ensure a positive outcome, you must do your due diligence to prepare for the purchase of your new home.

The seller is obligated to disclose to you in the contract if the property is part of a Condominium Unit Owners' Association or Property Owners' Association (POA), also referred to as a Homeowners' Association (HOA).

GOOD TO KNOW

Buyers are protected by Virginia's Condominium Act and the Property Owner's Association Act. It states that any property that falls under either association is required to provide the buyer with specific documents that contain essential tools and relevant information that may impact your decision to purchase a home in a particular community.

Disclosure Packets

The seller will request a Resale Disclosure Certificate from the condominium association or the management company and provide it to you, usually after your contract has been ratified. The resale disclosure documents will educate you on your rights and responsibilities as a community owner. The condo association has (14) business days after the request is made to issue the certificate. If you or the seller want it faster, the association may charge a rush fee.

The disclosure certificate/packet includes the condominium governing documents, the current budget, any pending lawsuits involving the association, insurance information, an audit report from an independent CPA (Certified Public Accountant) and other pertinent information.

Condominium Unit Owners Association
Issues a Resale Disclosure Certificate

Property Owners Association
Issues an Association Disclosure Packet

About New Condos

With new construction condominiums, state law requires developers to give you a copy of their Public offering statement when you sign your contract to purchase and ensure that it is current. You will then have 10 days to review the documents and make a final decision.

Canceling Your Condo Contract

If, after reviewing the disclosure packet documents, you decide that you don't want to proceed with the purchase contract, your real estate agent or your attorney can assist you with canceling your contract. A written notice of the termination must be provided to the seller in a way that is acceptable according to Virginia's Condominium Act.

Who Pays?

The seller is responsible for all costs associated with the preparation and delivery of the resale disclosure documents, except for the costs of any updates, which are the responsibility of the requester.

PRO TIP

In Virginia, buyers who are purchasing a resale property are given an automatic contingency to review association documents. Virginia's Condominium Act and the Property Owner's Association Act permits a purchaser to cancel within three days of the date of receipt of the disclosure packet.

Some of the same principles that you would consider with buying any other type of real estate still apply. You should carefully read all the resale disclosure documents. Legal advice may be necessary to ensure you have a clear picture of what the financial responsibilities are for you to purchase in that condominium community.

For information on what documents are included in the Resale Disclosure Certificate or the Association Disclosure Packet, visit dpor.virginia.gov/CIC-Board/Disclosure_Notices.

Before You Submit Your Condo Contract

Consider the following before submitting an offer on a condo:

- ***Does the condominium community have a current FHA certification?*** Condominium communities without FHA project certification are not eligible for FHA loans. They must apply for recertification every two years.

- ***Is the association financially sound and do they have sufficient reserves?*** Buyers want to enter a community with a stable financial situation.

- ***Are there any pending or ongoing litigations?*** A condo in litigation may scare away lenders.

- ***Review the community Conditions, Covenants, and Restrictions (CCRs).*** Can you abide by the established community guidelines and rules? If not, you may want to rethink purchasing in that condominium community.

PRO TIP

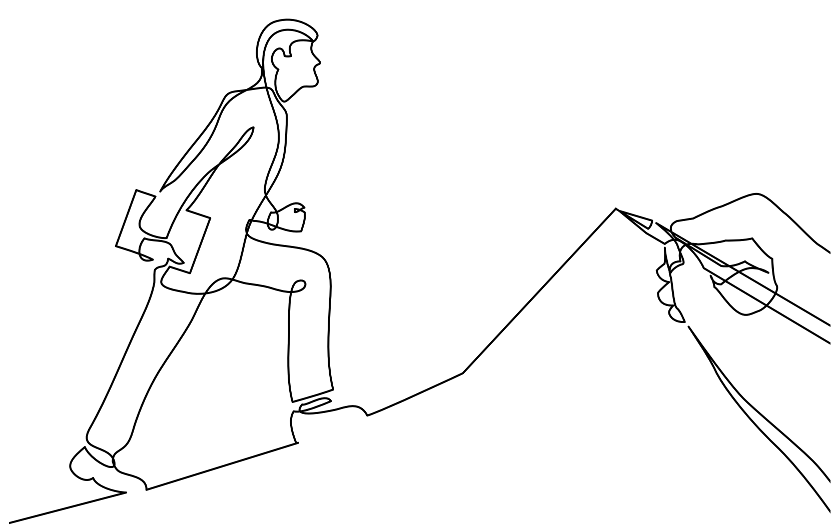
Condo fees are your share of the costs to run the building as a whole. Condo fees typically range from $100-$700 per month, depending on what they cover. Be sure to include this cost in your monthly Spending and Savings Plan.

- ***Verify the number of parking spaces.*** A seemingly harmless issue such as parking can cause a lot of stress and headache.

- ***What is the delinquency rate?*** Lenders are reluctant to offer financing if the condominium community has a high percentage of owners who are delinquent on dues.

Next Steps

Upon mutual acceptance of the purchase offer, your buyer's agent should work with you to make arrangements for the home inspection. It is also a good time to shop for homeowners/hazard insurance and flood insurance (if applicable).



Do You Need Flood Insurance?

An important step in your home search is to determine if the property is located in a flood zone. If so, the lender will require the borrower to purchase flood insurance. Although there are different types of policies, flood insurance protects against certain property damage and loss due to specific flooding incidents.

Top Ten Facts

1. **Everyone lives in a flood zone.**
    - You do not need to live near water to be flooded.
    - Floods are caused by storms, melting snow, hurricanes, water backup due to inadequate or overloaded drainage systems, as well as broken water mains.

2. **Flood damage is not covered by homeowners policies.**
    - You can protect your home, business and belongings with flood insurance from the NFIP.
    - You can insure your home with flood insurance up to $250,000 for the building and $100,000 for its contents.

3. **You can buy flood insurance no matter your flood risk.**
    - It does not matter whether your flood risk is high or low, most anyone in a community that participates in the NFIP can buy building and/or contents coverage, but there are exceptions.
    - Some Coastal Barrier Resources System (CBRS) areas, Otherwise Protected Areas (OPAs) and buildings principally below ground or entirely over water are not eligible for National Flood Insurance.
    - It is a good idea to buy even in lower-risk areas because over 20 percent of all NFIP claims come from outside mapped high-risk areas.

PRO TIP

Flood insurance is not the same as your homeowner/hazard insurance or condo policy. Ask your agent to assist you. To learn more about flood insurance and the National Flood Insurance Program (NFIP) call 800-427-4661.

For insurance agent referrals, call:

888-435-6637
TDD: 800-427-5593

fema.gov/national-flood-insurance-program

floodsmart.gov

4. **The low-cost Preferred Risk Policy is ideal for homes and businesses in moderate- to low-risk areas.**
   - Homeowners who qualify may purchase coverage for buildings and contents for as little as $129 per year. Qualified business owners may also insure buildings and contents for as little as $643 per year.
   - Residential renters can insure contents for as little as $49 per year.
   - Owners of residential contents-only can purchase a policy for as little as $57 year.

5. **Flood insurance is widely available.**
   - About 85 private insurance companies nationally offer flood insurance backed by the federal government. Contact your local agent.
   - Policies are available to homeowners, condominium associations and unit owners, renters and business owners alike.

6. **Flood insurance is easy to get.**
   - You can buy flood insurance through licensed property insurance agents; call yours today.
   - You can purchase flood insurance with a credit card.

7. **Contents coverage is available.**
   - For example, up to $100,000 contents coverage is available for homeowners, condo unit owners and renters.
   - Whether you rent or own, make sure to ask your insurance agent about contents coverage. It is not automatically included with the building coverage (except under the Preferred Risk Policy).

8. **Up to a total of $1 million in flood insurance coverage is available for most non-residential buildings and contents.**
   - $500,000 is the maximum amount of coverage available for many non-residential buildings.
   - $500,000 is the maximum amount of coverage available for the contents of owners in most non-residential buildings.

9. **There is usually a 30-day waiting period before coverage goes into effect.**

    - Plan ahead so you are not caught without insurance when a flood damages your property.

10. **Federal disaster assistance is not the answer.**

    - Federal disaster assistance is available only if the President declares a disaster.
    - Flood insurance pays even if a disaster is not declared.

For more information, go to FloodSmart.gov.

Checklist and Walk-Through

Before loan closing, you and your agent will conduct a final walk-through of the property you're buying. This walk-through is your last opportunity to ensure that any and all contingencies have been met.

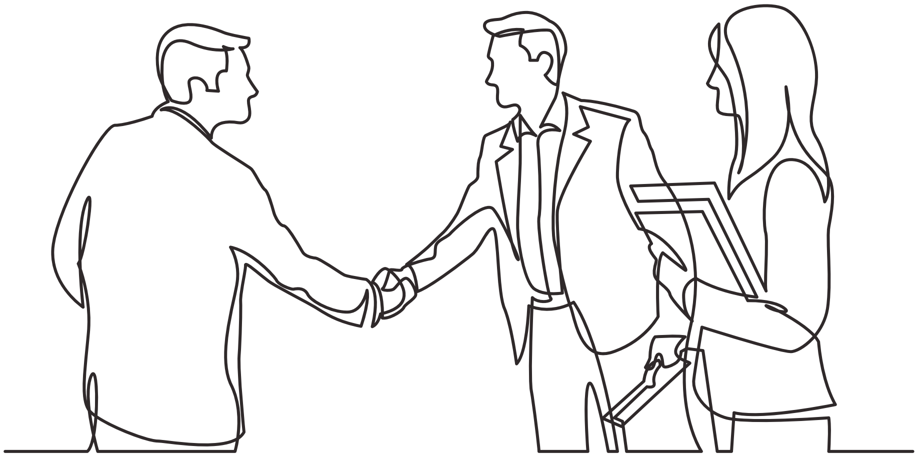
For example, if you negotiated with the sellers that they make specific repairs to the house, you need to make certain these repairs have been completed before you get to the loan closing.

You may want to create a checklist to ensure that you don't overlook any unresolved issues, especially if the home is vacant. This will ensure that there has not been any damage to the home since your last visit.

- ❑ Test ALL appliances.
- ❑ Turn on faucets in all tubs and sinks and check for leaks under the sink.
- ❑ Turn on garbage disposals and exhaust fans.
- ❑ Turn on heating and air conditioning units.
- ❑ Flush toilets, check for leaks, and ensure toilets are not running.
- ❑ Turn on and off every light fixture and/or ceiling fan.
- ❑ Ensure fixtures that were agreed upon to remain have not been removed.
- ❑ Test the garage door opener(s).
- ❑ Check window and door locks to ensure the property is secure.
- ❑ Do a visual inspection of the ceiling, floors and walls.
- ❑ Walk the exterior to ensure landscaping is satisfactory. Test irrigation system (if applicable).
- ❑ Confirm all contingent repairs (if any) have been completed and are working properly.

Giving yourself at least an hour to perform your final walk-through is a great investment of your time and doing so could save you from avoidable financial woes after closing.

If the property is not in the condition both parties agreed to, your agent and the seller's agent can make arrangements to have it taken care of. If the property condition is satisfactory, then your final step is to proceed with the loan closing on your new home!



You’re Almost There

In this chapter, you’ve learned about:

- Choosing a real estate agent.
- The process of finding a home.
- What to look for as you conduct your search.
- How condominiums operate.
- Facts about flood insurance.

Chapter 4 Quiz

1. **Select how the Housing Evaluation Worksheet can help in viewing properties.**

   A. Provides a list of all potential properties to be viewed.
   B. Assists in tracking important points and features of the home.
   C. Tracks negotiation of the purchase contract.

2. **Select tools a real estate agent can use to assist in locating and pricing properties for a potential buyer.**

   A. Real estate agents' monthly meetings and networks.
   B. Real estate listings on the internet and in newspapers.
   C. Multiple Listing Service (MLS) and a Comparative Market Analysis.

3. **Select what a buyer should consider when touring a potential home.**

   A. Neighborhood and schools, recent repairs, and inclusion of appliances with sale.
   B. Make and model of neighbors' cars.
   C. Choice of wall and carpet colors in the home's interior.

4. **Once the buyers have presented a purchase offer to the sellers, the sellers have the option to:**

   A. Accept the offer.
   B. Reject the offer.
   C. Counter the offer.
   D. All of these.

5. **What is something a potential buyer should check for when viewing properties?**

   A. A roof that sags in the middle.
   B. Diagonal cracks above doors and windows.
   C. Mildew, moss, or mold on exterior siding.
   D. All of these.

6. **A real estate agent earns a commission when a contract is negotiated.**

   ☐ True ☐ False

7. **A Comparative Market Analysis is a tool that can help potential buyers determine if a property for sale is appropriately priced.**

☐ True ☐ False

8. **Writing a purchase offer should consider the condition of the house, the amount the purchaser can borrow, and the sale prices in the surrounding area.**

☐ True ☐ False

9. **A Homeowner's Warranty only protects the seller during the listing period.**

☐ True ☐ False

10. **Only a seller has the option to accept, reject or make a counteroffer on a purchase contract.**

☐ True ☐ False

11. **An example of a contingency is certain repairs to be made by the seller.**

☐ True ☐ False

12. **A final walk-through provides an opportunity for the buyer to make certain all contingencies have been met.**

☐ True ☐ False

13. **Once both the buyers and the sellers sign the purchase offer and it is delivered to the buyer's agent, it becomes a ratified contract.**

☐ True ☐ False

14. **REALTORS® belong to a trade organization that requires them to comply with certain standards and practices related to real estate transactions.**

☐ True ☐ False

15. The earnest money deposit is given to the buyer at loan closing.

☐ True ☐ False

16. You should interview two or three real estate agents before you find the one that is the best fit for you.

☐ True ☐ False

17. Not all real estate agents are Realtors, but all Realtors are real estate agents.

☐ True ☐ False

18. The exclusive right to represent the buyer agreement, also known as the buyer broker agreement, is designed to protect only the real estate agent.

☐ True ☐ False

19. The walk-through is your last opportunity to ensure that any and all contingencies have been met.

☐ True ☐ False

20. Not everyone lives in a flood zone.

☐ True ☐ False

Answer Key:

1.	B	5.	D	9.	False	13.	True	17.	True
2.	C	6.	False	10.	False	14.	True	18.	False
3.	A	7.	True	11.	True	15.	False	19.	True
4.	D	8.	True	12.	True	16.	True	20.	False

It's the Law: Virginia Fair Housing Law

Chapter 5

The Commonwealth of Virginia enforces a Fair Housing Law that is substantially derived from the Federal Fair Housing Act.

Like the federal law, the Virginia Fair Housing Law is designed to protect individuals from discriminatory practices, stating that no one can be denied housing because of:

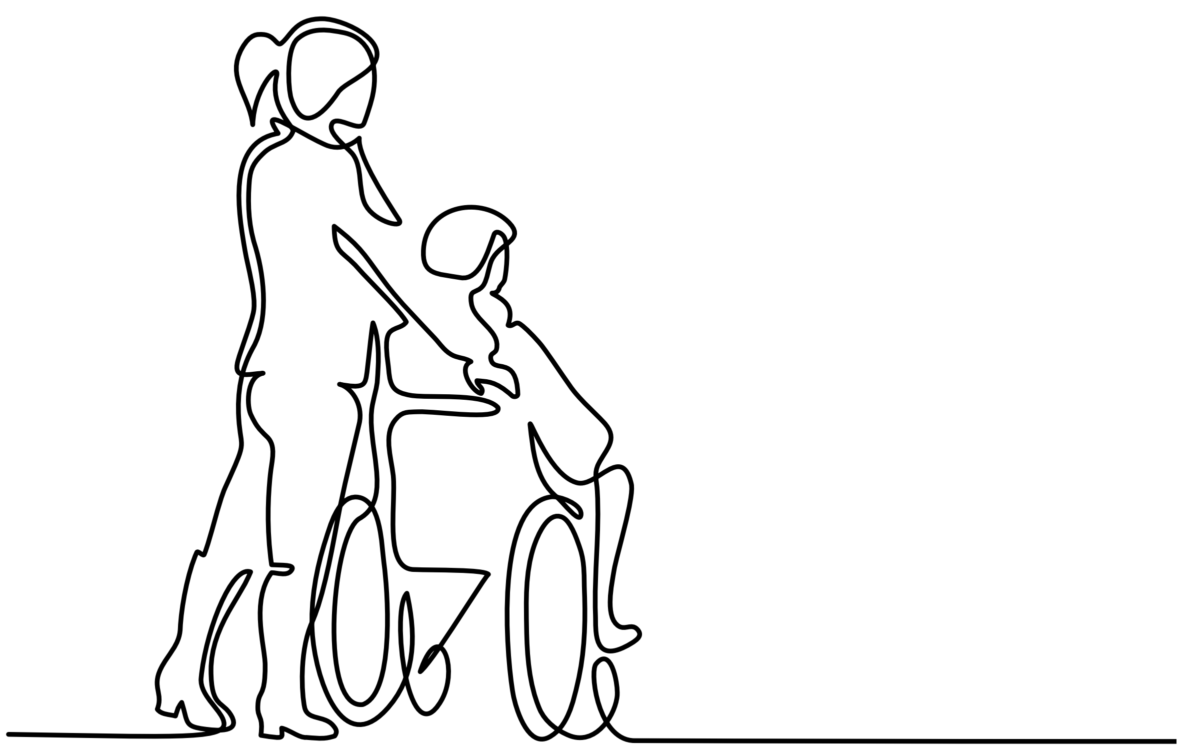
- Race.
- Color.
- Religion (any or none).
- Sex (Gender).
- Disability (handicap to include hoarding).
- Elderliness (defined as 55 years or older, as covered in Virginia law).
- Familial status (presence of children under 18 in the family, pregnant women, or adults attempting to secure custody of children).
- National origin.

In this chapter, you'll learn about:

- Prohibited housing practices.
- Predatory lending and how to protect yourself.
- Loan flipping and loan packing.
- Tips for smart homebuyers.

Housing Practices Prohibited by State and Federal Law Include:

- Discrimination in terms, conditions, privileges, services and facilities.
- Discriminatory advertisements, statements and notices.
- Discriminatory representations on the availability of dwellings.
- Blockbusting or redlining, defined as refusing mortgages to neighborhoods judged to be poor financial risks.
- Discrimination in the provision of brokerage services.
- Discrimination in lending or other financial services.
- Discrimination in the purchase of loans.
- Discrimination in the terms and conditions for making loans or other financial assistance available.
- Unlawful practices in the selling, brokering or appraising of residential real property.
- Discrimination because of a disability (handicap).



Predatory Lending Practices

Fair housing laws also prohibit predatory lending practices that relate to a protected class.

Predatory lending (or abusive lending) refers to unfair or deceptive practices that negatively impact the borrower. Predatory lending practices could occur with lenders, mortgage brokers, real estate brokers, attorneys and home improvement contractors.

The loan products themselves are not predatory, as a variable rate mortgage can be a good option for some borrowers. However, if a variable interest rate is disguised as a fixed interest rate, then the borrower becomes a victim of predatory lending practices.

Watch out! Signs of predatory lending.

Sometimes predatory lending can be difficult to prevent. But there are common signs that can identify lenders, appraisers, mortgage brokers, and even home improvement contractors who use predatory practices.

Here are some red flags you should look out for:

- Beware of anyone who suggests that you should lie about your income, expenses or the cash you have available in order to obtain a loan. You never want to spend more than what you can afford on housing. Unforeseen financial issues can occur and can lead to financial hardship or foreclosure if you are not prepared.

- Lenders who knowingly lend you more money than you can afford to repay are not doing you any favors. They are actually setting you up for a possible housing tragedy. Lenders do not take into account other monthly expenses you may have for your household, such as fixed expenses like childcare and car insurance. Lenders do not account for flexible expenses like groceries and gas for your car either.

- A lender may try to make you believe that they are your only chance of receiving a loan. You should always shop around and compare prices and houses. Getting into a home is only one part of homeownership. The other part is staying in the home. That happens when borrowers are empowered and understand the importance of doing the hard work to make homeownership a reality. The biggest part is knowing how much home you can afford, not what the lender says you qualify for.

- Home repairs can be costly and most buyers are looking for a good deal. However, no discounts on a repair cost should be based on using a certain lender. If you shop around, you may find a better and more reliable option that does not require you to accept predatory tactics in order to get a great deal on your repairs.

Here are some other types of predatory lending:

Overcharging for interest and points.

- When interest and points are much higher than those charged by reputable lenders, this is a sign of predatory practices. The cost is often hidden in the fine print.
- If the mortgage lender considers you a high risk, they may charge a higher interest rate, but they should discuss the matter with you in advance.
- Stay aware of what the current rates are. You can find current rates on the internet, smart phone apps or from your bank. If a mortgage lender wants to charge you higher interest and points than what is justified by the risk of making the loan, you may want to choose a different mortgage loan company.

Loan flipping.

- Loan flipping occurs when a loan originator tries to entice you to refinance your loan repeatedly within a short period of time.
- There may be prepayment penalties and high fees each time a refinance occurs.
- Each time you refinance, it is a normal practice to finance as much of the closing costs as possible — meaning you stand to lose some equity each time a refinance occurs.

PRO TIP

If you think it's a good time to refinance your loan due to decreases in interest rates, you may want to consult a housing counseling agency in your area before making a decision. You can find one by visiting the Housing and Urban Development (HUD) website hud.gov.

Loan packing.

- When a loan contains charges and fees for services you did not request or need, "packing" is most often what has taken place. It often occurs without your knowledge.
- It involves making the borrower believe that credit insurance must be purchased and financed into the loan in order to qualify.
- This is another predatory practice that will cause you to lose equity. Protect yourself by reviewing the Loan Estimate and Closing Disclosure, and making sure you understand each fee associated with your loan.

Balloon payments.

- A loan with a balloon payment may appear to be within your ability to repay, especially with a low rate requiring low monthly payments. However, there may be a large payment of thousands of dollars that will be due toward the end of the loan.
- It is a short-term loan that will force you to refinance the loan if you don't have the cash available to make the balloon payment. You are often refinanced into another high-interest, high-fee loan.
- Very few lenders originate balloon mortgages. Nearly all home loans today are qualified mortgages, which means they must meet stringent government affordability standards. At a minimum, a qualified mortgage must have equal payments for the life of the loan.

Don't Be a Victim.

There are some things you can do to avoid falling victim to a predatory lender:

Take time to understand all of the documentation and never sign blank documents or documents with blank spaces. Do not allow anyone to pressure you into signing something before you are ready. If necessary, have an attorney review the documents before you sign.

Make sure that you have received, read, and understand all required disclosure documents before closing. Shop around. Interest rates and fees vary widely among lenders. You may qualify for a loan from a traditional lender that would be less expensive than subprime loans.

Avoid door-to-door and direct mail pitches offering to repair or replace a roof, replace windows, doors, siding, or other maintenance items. If you have questions about the condition of your home and whether any maintenance or major repairs are needed, a home inspector can be hired. (More information about home inspectors can be found in Chapter 6.)

Watch out for hidden terms, such as prepayment penalties and balloon payments.

Know your rights. Predatory lenders prey on minorities, the elderly, borrowers with lower incomes and less knowledgeable borrowers. Anyone can combat predatory lending practices by understanding the federal laws that protect consumers, including the Homeowners Equity Protection Act (HOEPA) and the TILA-RESPA Integrated Disclosure (TRID). The Consumer Financial Protection Bureau (CFPB) provides additional information regarding these Acts and consumers' rights at consumerfinance.gov.

Get trustworthy advice. Before signing anything, agreeing to anything or speaking with a lender, you may want to speak with a housing counselor. As mentioned earlier, you can find the name of a Housing and Urban Development (HUD) approved housing counseling agency in your area by visiting HUD's website at HUD.gov.

Be a smart buyer.

Becoming an informed and smart consumer should be the first step toward your goal of homeownership. The success you experience in the process depends a great deal on you and your ability to use the tips, tools and resources necessary to make good and sound decisions throughout the process.

The following tips will lead you to becoming an informed homebuyer:

1. Find a Housing and Urban Development (HUD) approved housing counseling agency. Working with a housing counselor can be a major benefit and resource for a buyer.

2. Shop and compare costs for a lender.

3. Interview a number of real estate agents and check their references. Word of mouth can be one of the best referral options when selecting a real estate agent.

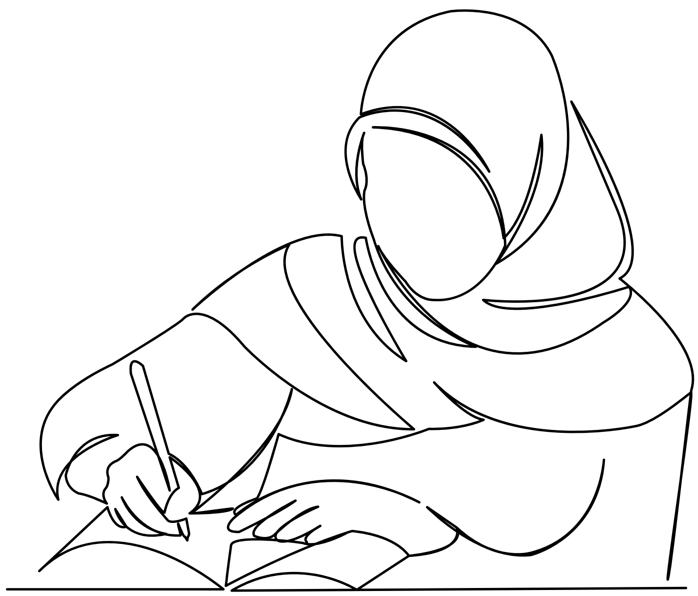
4. Never pay more than a home is worth. Home values can change at any time. You don't want to owe more than your home is worth.

5. Hire a qualified and licensed home inspector. Know before you buy. You'll not only be buying the beautiful, open floor plan home, but you may be buying all the problems that come with it.

6. Never overstate your income or hide debt from your lender. Lying on a mortgage application is fraud and can lead to detrimental outcomes.

7. There is no such thing as a dumb question when it comes to loan documents. Read everything and ask as many questions as necessary for you to understand before you sign. Consult an attorney who is skilled in real estate law if necessary. It would be worth every penny to avoid costly and avoidable issues that could occur after you purchase your home.

8. Never sign blank or incomplete documents. You may be accountable for any information that is added after you sign.



You're on your way!

In this chapter, you've learned about:

• The Virginia Fair Housing Law.

• Signs of predatory lending.

• How to be a smarter homebuyer.

NOTE: If you think you've been discriminated against when trying to purchase a home or secure financing, you can file a complaint with the Virginia Fair Housing Office. You'll need to provide:

- *Your name and current address.*
- *The name and address of the person(s) accused of a discriminatory practice.*
- *Description of the facts concerning the alleged discriminatory practice.*

For more information about the Virginia Fair Housing Law,
or to file a complaint, contact:

Virginia Fair Housing Office
9960 Mayland Drive, Suite 400
Richmond, VA 23233-1463

www.dpor.virginia.gov/FairHousing
Phone: 804-367-8530
Toll free: 888-551-3247
Email: FairHousing@dpor.virginia.gov

Chapter 5 Quiz

1. **Predatory lending refers to unfair or deceptive practices that negatively impact a borrower.**

   ☐ True ☐ False

2. **If a mortgage lender considers a borrower a high risk, higher interest and points can be charged with no notice to the borrower.**

   ☐ True ☐ False

3. **Loan flipping occurs when a loan originator encourages a borrower to refinance their loan repeatedly within a short period of time, increasing penalties and fees.**

   ☐ True ☐ False

4. **A balloon payment at the end of a mortgage is a good way for a first-time homebuyer to purchase a home with a lower monthly payment.**

   ☐ True ☐ False

5. **Borrowers can avoid predatory lending by reading and understanding all documents prior to signing.**

   ☐ True ☐ False

6. **Signing blank loan documents is a standard practice when applying for a mortgage loan.**

   ☐ True ☐ False

7. **Hiring a home inspector to review any maintenance needs prior to investing in a major repair is a good way to avoid predatory lenders.**

   ☐ True ☐ False

8. Predatory lenders have a history of preying on minorities, the elderly and lower income borrowers.

☐ True ☐ False

9. A borrower does not need to review the Loan Estimate Disclosure for unnecessary fees that are not justified.

☐ True ☐ False

10. The Virginia Fair Housing Office can assist borrowers with complaints against predatory lenders.

☐ True ☐ False

11. Anyone who suggests you should lie about your income, expenses or the cash you have available in order to obtain a loan is looking out for your best interest.

☐ True ☐ False

12. Working with a housing counselor can be a major benefit and resource for a buyer.

☐ True ☐ False

Answer Key:

1.	True	5.	True	9.	False
2.	False	6.	False	10.	True
3.	True	7.	True	11.	False
4.	False	8.	True	12.	True

All you need to know about the Home Inspection

Chapter 6

While a home inspection is not a requirement for most mortgage loans, it is an important pre-purchase investment every potential homebuyer should make.

A home inspection is an affordable way to:

- Avoid expensive repairs.
- Become familiar with a home's major systems.
- Improve your negotiation options (get an adjustment in price or have the seller pay for repairs).

Spending a few hundred dollars now may save you thousands in unforeseen repairs after you've bought the home and moved in. If significant repairs are needed, the inspection report may enable you to renegotiate or withdraw your offer. If there are no problems, the inspection will give you additional peace of mind in your decision to buy the home.

In this chapter, you'll learn about:

- The importance of a home inspection.
- How to find an inspector with experience.
- The difference between an inspection and an appraisal.

Don't Skip the Inspection

What the seller must tell you about their home may not include all problems or deficiencies. Although the seller is required to disclose any known defects that affect the value of the house, usually the seller will say that the price of the home takes into consideration any issues listed on the **seller disclosure**.

A home inspection will include the overall condition of the property to include major defects, needed repairs and replacements, along with health and safety issues.

GOOD TO KNOW

Even with a seller disclosure, you should still have a professional inspection done. While the disclosure provides some protection, the seller does not have to report any problem that he or she is unaware of. If you discover a problem that you believe the owner knew about and neglected to put on the disclosure, you would have to prove it in court.

Many future repairs and potential problems are not clearly visible to the untrained eye. Home inspectors are experienced professionals who know how to look for telltale signs of trouble and can help the potential buyer avoid expensive problems.

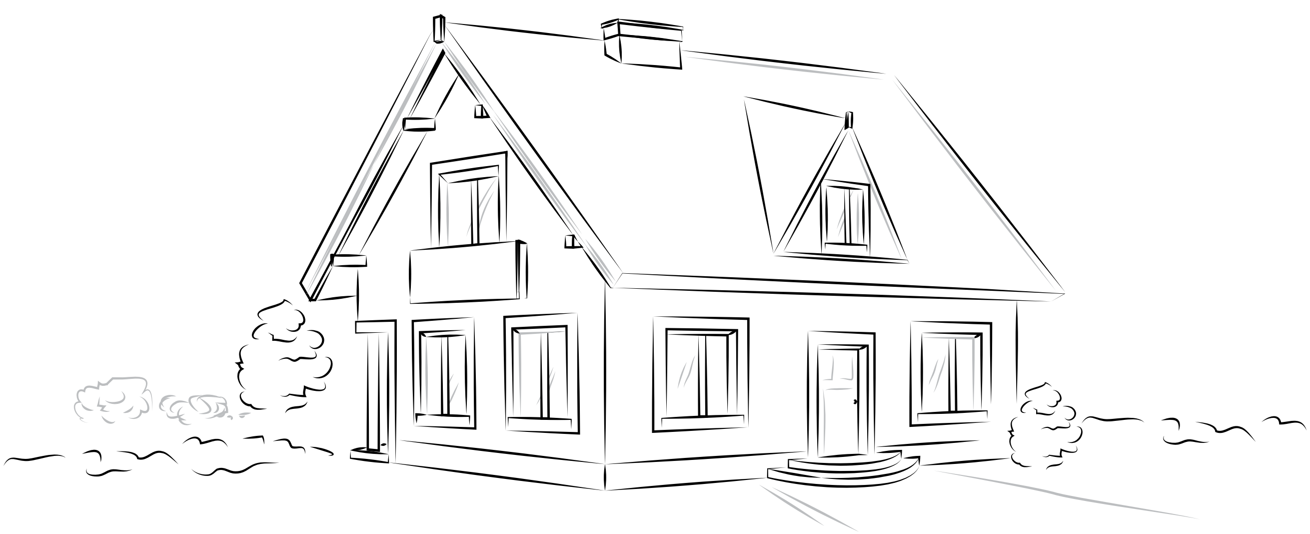
What does a home inspector do?

During a home inspection, a licensed inspector takes an in-depth and impartial look at the property you plan to buy.

The inspector will:

- Evaluate the physical condition including the structure, construction and mechanical systems.
- Identify anything that should be repaired or replaced.
- Estimate the remaining useful life of the major systems (such as electrical, plumbing and heating systems).

It may be tempting to skip the home inspection and save $350 – $500, but you are not just buying a spacious kitchen and an open floor plan. You are buying any major issues waiting in the walls, plumbing, attic or crawl space. A small investment for an inspection can give you a huge return if there are any major repairs that could pop up after you buy.



Getting an Inspection With New Construction

Buying a newly constructed home may make you feel that hiring a home inspector is unnecessary, because someone has inspected the property to ensure it meets city or county building codes before occupancy is permitted.

County or city building inspectors are not the same as home inspectors. Building inspectors only look for specific code violations.

Don't rely on the builder

It's easy to become distracted by the newness of the home, but you can't forget to have your new home inspected. You are strongly encouraged to enlist the services of a professional home inspector before you purchase and right before the expiration of your builder's one-year warranty.

That way, another trained professional evaluates the entire property and any findings that need corrective action can be addressed with the builder when you do your final walk-through and before your warranty expires.

As thorough as a building inspector may be, there are factors beyond their control that prevent building inspections from being as detailed as you may need.

4 Reasons to Have a New Construction Home Inspection:

- ✓ Different contractors work on different systems and the builder often cannot monitor all workers.
- ✓ The home inspector is a hired professional for the buyer. Their detailed report often provides peace of mind before you purchase.
- ✓ Defects that can have serious safety consequences, such as gas leaks, can often be identified leading to needed repairs or replacements.
- ✓ Pre-existing deficiencies can affect resale, even if you never knew they existed.

When Should a Home Inspection Be Done?

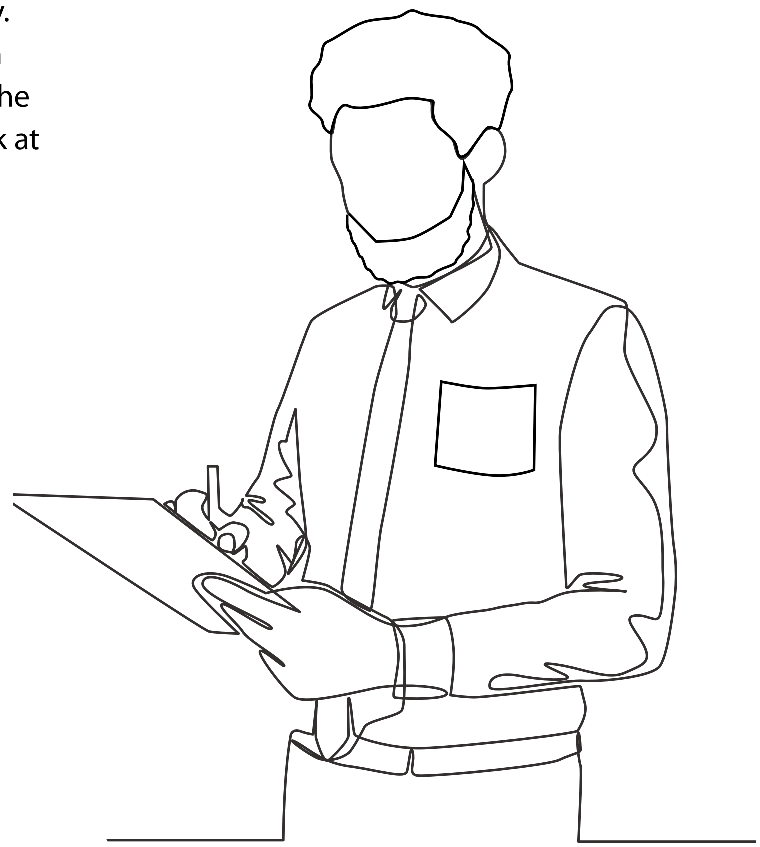
Sooner is better than later.

When you make a purchase offer that's contingent upon a home inspection, your agent will have you sign a **PICA (Property Inspection Contingency Addendum)**. You will have a certain time period in which to schedule the inspection and request any contingent repairs or changes. The deadline is outlined in the PICA.

You should try to schedule it as soon as your offer is accepted so you will have time to review the inspector's report. Consider scheduling the inspection during the day. Even if that is less convenient for you than an evening inspection, you'll benefit by the inspector being able to take a better look at the outside of the home when there is daylight.

PRO TIP

Don't look at the seller disclosure as 100% protection against undisclosed problems with the house. Get a home inspection.



Why You Should Attend the Inspection

The buyer's real estate agent will be present for the home inspection. Sometimes the seller's agent may attend, but that is not always the case. As the potential homebuyer, you should also be on hand for the home inspection, to take advantage of a valuable educational opportunity.

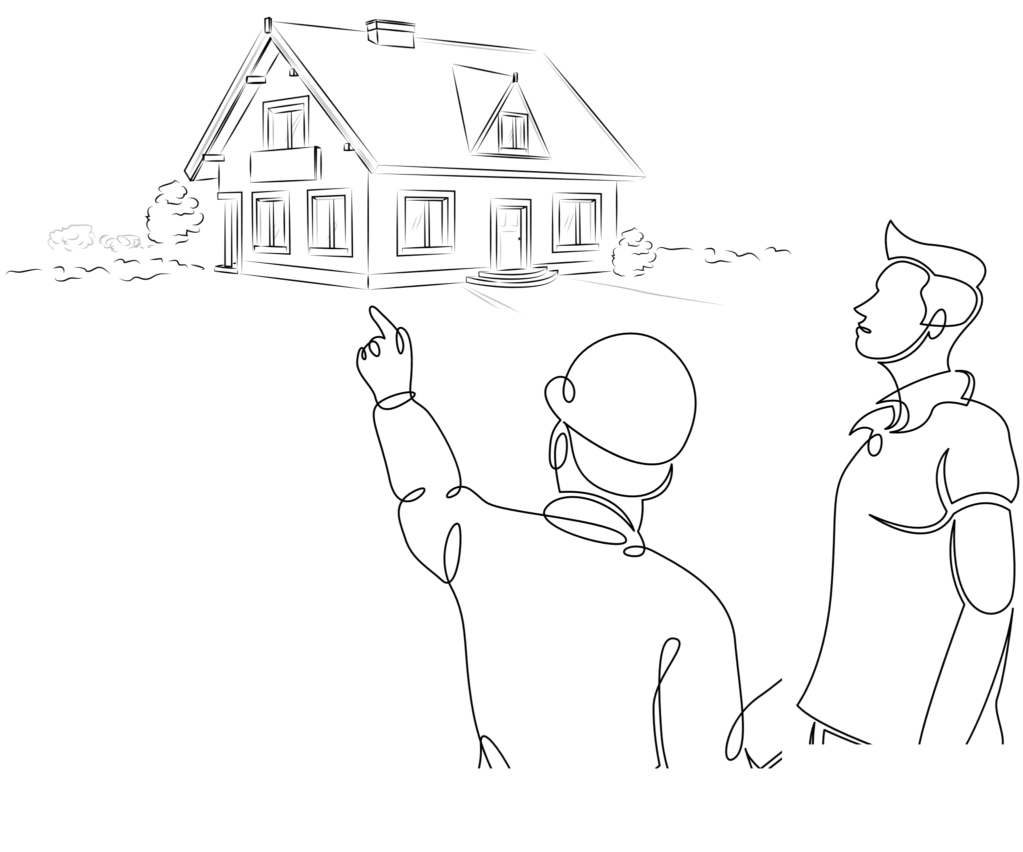
If you are present for the inspection:

- You will be in a better position to understand the report.
- You will see the different systems in the home (such as the heating and air systems), learn about their location, age and how they work.
- See specifically what is in need of repair and any current or potential damage.

Note: The inspector will need to do a thorough inspection of the property by inspecting the roof, crawlspace, appliances, turning on all the faucets, checking out the insulation, opening and closing all the windows and doors and more.

PRO TIP

A thorough home inspection will take some time. Plan on spending at least two hours for a home inspection.



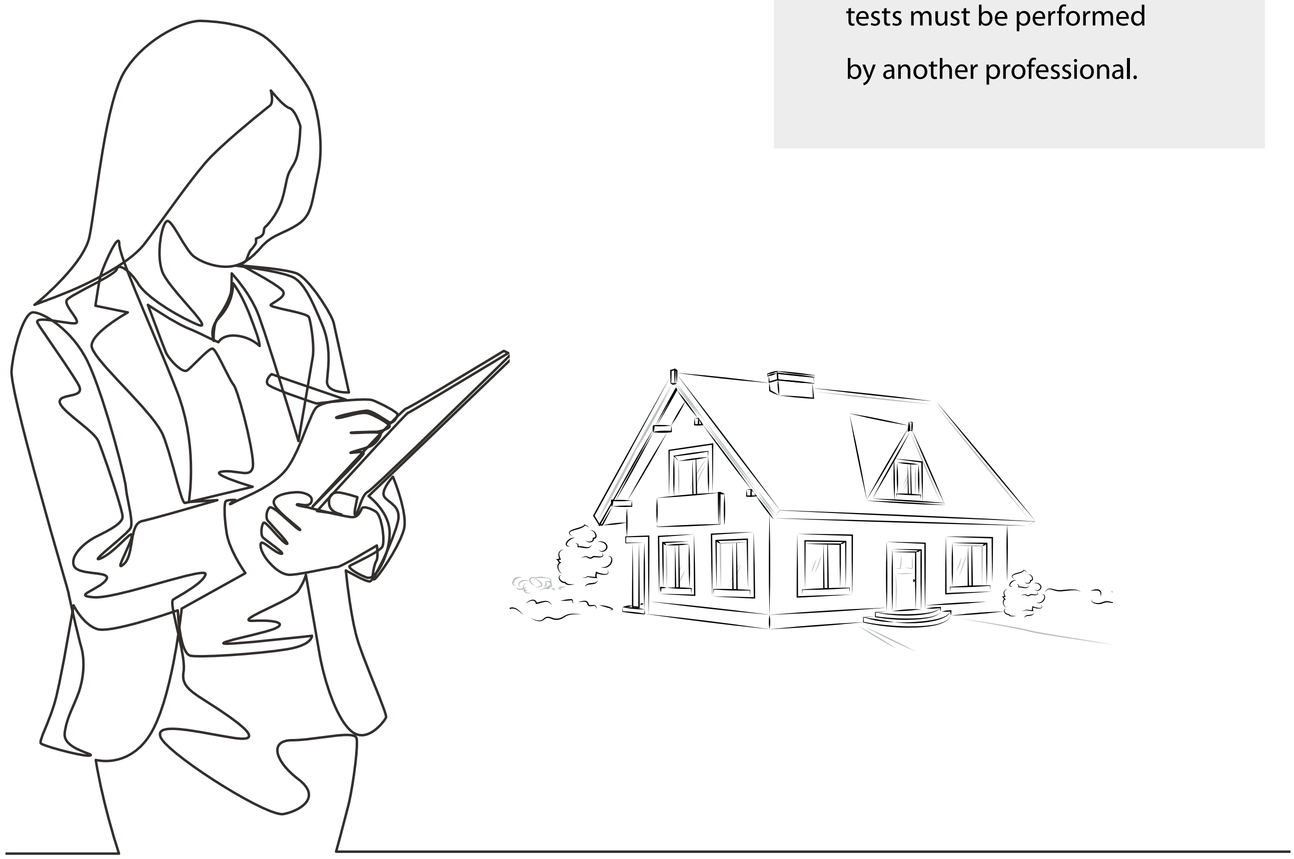
Who Is the Home Inspector?

Now that you understand more about a home inspection, let's discuss the professional that should conduct these inspections.

A home inspector is someone who is experienced and licensed to visually examine the condition of residential properties to determine if discoverable major mechanical deficiencies exist. The fee for this service is typically paid at the time of inspection and is based on square footage, number of stories in the house, age of the house or other factors.

PRO TIP

You may have to pay additional fees if you want further tests done, such as water and/or radon tests and termite certification. These tests must be performed by another professional.



Choosing a Home Inspector

PRO TIP

Home inspections of New Residential Structures (NRS) should be performed only by licensed home inspectors with the NRS specialty designation.

When choosing a home inspector, you want to carefully consider their qualifications. **Virginia requires ALL home inspectors to be licensed.** Licensed inspectors must complete the state licensing program requirements through the Department of Professional and Occupational Regulation (DPOR).

Licensed inspectors who identify themselves as a "Certified Home Inspector" are also members of a national organization such as the American Society of Home Inspectors (ASHI) or International Association of Certified Home Inspectors (InterNACHI).

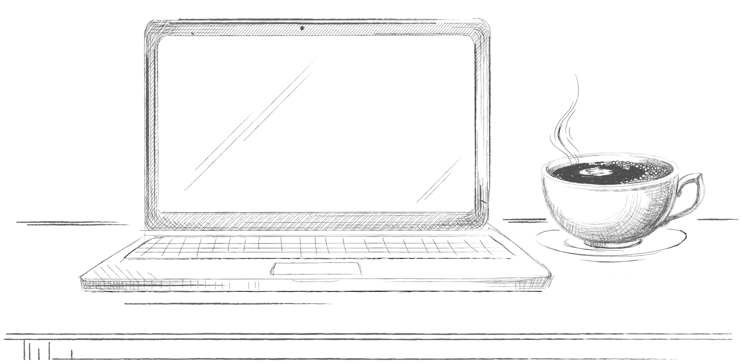
Members of these organizations must perform their inspections to a certain standard, follow a code of ethics, meet experience requirements and, in some cases, pass an examination and provide evidence of annual continued education.

To learn more about these organizations or to locate a home inspection professional in your area who belongs to one of these organizations, visit:

- **ashi.com** - American Society of Home Inspectors (ASHI).
- **nachi.org** - International Association of Certified Home Inspectors (InterNACHI).

PRO TIP

Before you hire an inspector, ask to see a sample report. That way you can tell what the inspector checks for and how thoroughly he or she will inspect the house. To verify a home inspector's license, visit dpor.virginia.gov/LicenseLookup.



HUD: 10 Important Questions to Ask Your Home Inspector

1. **What does your inspection cover?**

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

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

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

3. **Are you specifically experienced in residential inspections?**

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

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

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

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

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

6. **How much will it cost?**

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

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

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

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

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

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

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

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

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

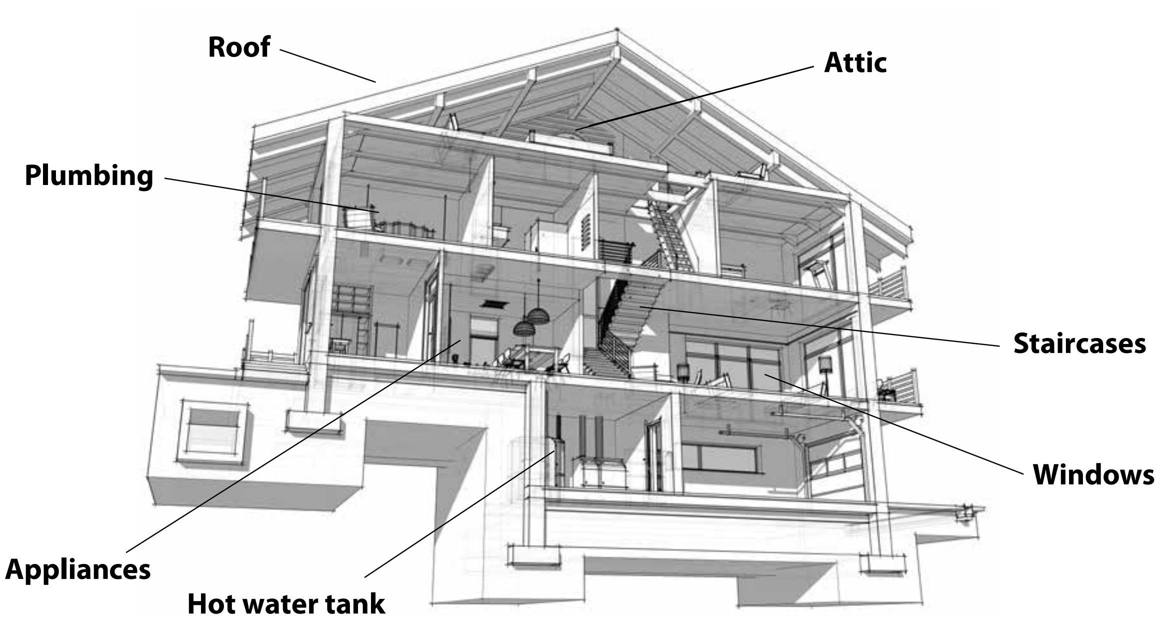
Note: You can search a home inspector database (such as http://www.inspectordatabase.com) to find home inspectors, compare inspectors, review credentials, contact inspectors and schedule inspections in Virginia.

Understanding Your Inspection Report

Once the inspection is complete, the home inspector should provide you with a thorough report of the findings.

The inspection and report should cover:

- Foundation.
- Stairs.
- Hot water tank.
- Heating / air conditioning systems.
- Insulation.
- Lots and grounds.
- Roof and attics.
- Plumbing and electrical systems.
- Appliances.
- Doors, locks and windows.
- Ventilation.
- Pests (termites, mice, etc.).



The report will also point out problems and/or symptoms of potential issues that need attention, repair or further inspection. Some home inspectors will provide their findings in a written report for you to keep while others may even include pictures or a video.

Problems the inspector may identify could include moisture damage to supporting structures within the house or crawlspace, termite and other pest damage, improperly wired electrical systems, leaky plumbing, insufficient insulation and roof damage.

Asking for repairs prior to purchase

After reviewing the report with your agent, you may decide you want some repairs or deficiencies to be addressed before you will continue with the contract.

At that point, your agent will have you sign a **PICRA (Property Inspection Contingency Removal Addendum)**. The PICRA lists a detailed description of contingent repairs or changes that the buyer requests to be done in order for the contingency addendum (PICA) to be removed from the contract.

In your initial contract, a **remediation limit**, also known as a "repair cap" was implemented to determine how much the seller would be willing to repair. The repair cap is a dollar amount in repairs that the seller has agreed to repair and it protects both the buyer and seller. The buyer can set a certain amount, otherwise it may default to $1,000.

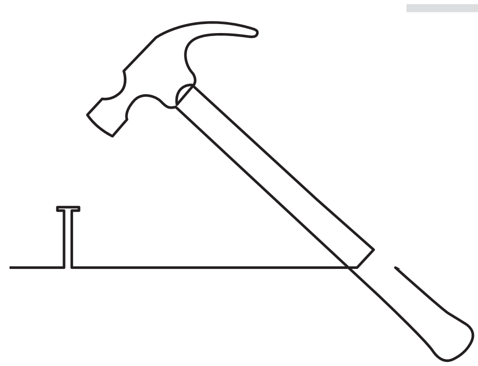
If the inspector's report indicates that the seller or seller's agent has clearly misrepresented the condition of the home, you should consider withdrawing your offer to buy.

PRO TIP

The seller can refuse to make certain repairs, especially if the requested repairs cost more than the repair cap. If buyer and seller cannot agree, the contract becomes null and void. If each party can reach an agreement, then the contract continues as normal.

GOOD TO KNOW

It's important to remember that the home inspector does not check the cosmetic features of the home, such as the carpeting, nor do they warrant the home against any problems. However, if the carpet is torn it could now be a safety concern and not just a cosmetic feature.



How long does the inspection report last?

When you hire a home inspector, the inspection they will provide is good (warranted) only for the day the house is inspected. Evidence of potential problems isn't always detectable, even to a trained expert. It would be difficult to fault the home inspector to foresee a problem that was not apparent at the time of the inspection.

If a home inspector finds a major mechanical deficiency, they may recommend you consult a specialist.

PRO TIP

During the inspection, the inspector should not tell you what the home is worth, give you advice on whether to buy the home, offer to make repairs to the home or refer you to someone to make the repairs.

What's the Difference Between an Appraisal and an Inspection?

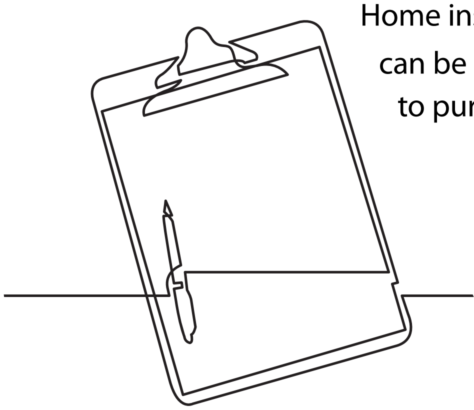
Some potential buyers choose to not have a home inspection because they've already paid for an appraisal. **While both an appraisal and a home inspection are vital, they are completely different and neither can be a substitute for the other.**

What is a home inspection?

- An evaluation of a home's condition.
- It examines a house in terms of its structure, systems and safety, with no consideration of its estimated value.
- Home inspections are conducted by licensed home inspectors who work for, report to and are paid by the homebuyer.
- A service paid for by the buyer at the time of the inspection.

What is an appraisal?

- A written analysis of a home's estimated value.
- It compares the home to other houses in close vicinity that have similar structures, enhancements, square footage, etc.
- A process ordered by the lender. Your lender receives a written analysis and the buyer is entitled to a copy.
- A service paid for by the buyer at closing.



Home inspection services provide practical information that can be used to make decisions on the price or even whether to purchase a specific home.

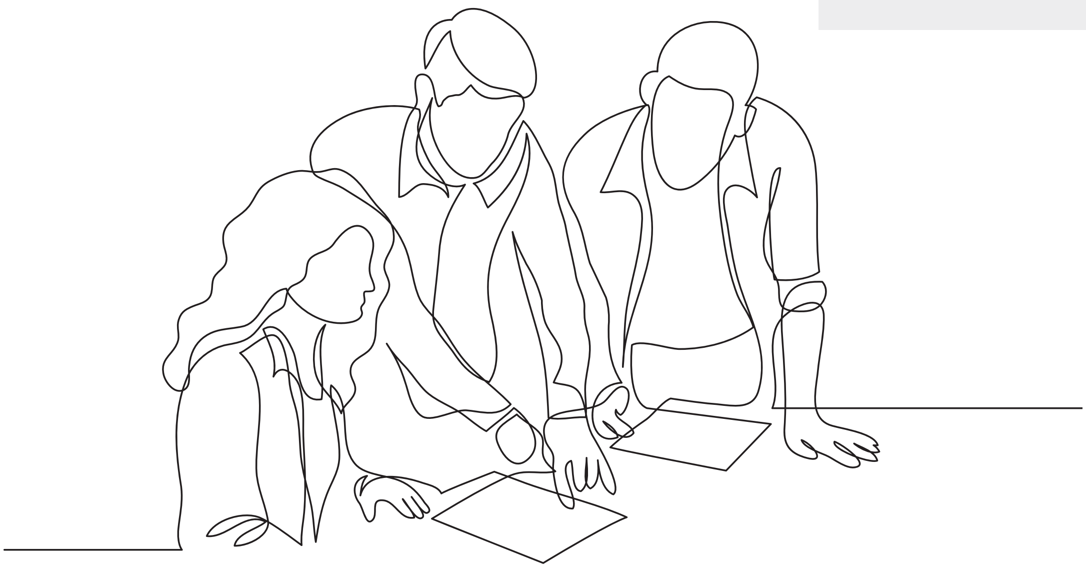
If repairs are needed, you may ask the seller to:

- Fix the problem.
- Provide money for you to have repairs made after the purchase.
- Reduce the asking price of the home to cover the cost.

Essentially, a home inspection is another negotiating tool that can sometimes mean significant changes to your offer.

PRO TIP

If you make a purchase offer, be sure to include a contingency regarding the home inspection, stating in the offer that the inspection must meet your satisfaction.



You've got lots of valuable information!

In this chapter, we shared:

- Facts about home inspections.
- What to ask when shopping for an inspector.
- How to look at an inspection report.

Documents included in this chapter:

- HUD: 10 Important Questions to Ask Your Inspector.
- For Your Protection: Get a Home Inspection.

Chapter 6 Quiz

1. **An example of a problem that a home inspector may find during the inspection of the property is:**

   A. Moisture damage.
   B. Leaking plumbing.
   C. Termite/pest damage.
   D. All of these.

2. **The home inspector represents the interests of the:**

   A. Real estate agent.
   B. Buyer.
   C. Loan originator.
   D. Seller.

3. **During the home inspection, the inspector examines the:**

   A. Roof.
   B. Foundation.
   C. Plumbing and electrical systems.
   D. All of these.

4. **The home inspection warranty is good for:**

   A. Only good for the day the house is inspected.
   B. 24 months.
   C. 12 months.
   D. 18 months.

5. **You should attend the home inspection to:**

   A. See specifically what is in need of repair.
   B. Learn the different systems location, age, and how they work.
   C. Be in a better position to understand the report.
   D. All of these.

6. **A home inspection is an evaluation of a home's condition by a licensed professional.**

   ☐ True ☐ False

7. **It is not necessary to conduct a home inspection on new construction since the builder provides this service.**

   ☐ True ☐ False

8. **Home inspectors must be licensed in Virginia.**

   ☐ True ☐ False

9. **Since home inspections are not required by mortgage lenders, no written report is provided by the inspector.**

   ☐ True ☐ False

10. **A buyer is not present at the time of the home inspection.**

    ☐ True ☐ False

11. **An appraiser places a value on property, and a home inspector examines the house in terms of structures and systems.**

    ☐ True ☐ False

12. **A home inspection can impact negotiations by providing practical information to base pricing on for the actual purchase of a home.**

    ☐ True ☐ False

13. **The lender requests the home inspection.**

    ☐ True ☐ False

14. **The home inspection is not typically a loan requirement.**

    ☐ True ☐ False

15. The home inspector's fees are normally paid at the time of service.

☐ True ☐ False

16. A home inspection is not necessary with a signed seller disclosure.

☐ True ☐ False

17. Homebuyers sign a Property Inspection Contingency Addendum (PICA) when the purchase offer is contingent on a home inspection.

☐ True ☐ False

18. Licensed inspectors who identify themselves as a "Certified Home Inspector" are also members of a national organization.

☐ True ☐ False

Answer Key:

1.	D	5.	D	9.	False	13.	False	17.	True
2.	B	6.	True	10.	False	14.	True	18.	True
3.	D	7.	False	11.	True	15.	True		
4.	A	8.	True	12.	True	16.	False		

CAUTION

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

OMB Approval No: 2502-0538 (exp. 04/30/2018)

For Your Protection:
Get a Home Inspection

CAUTION

CAUTION

Why a Buyer Needs a Home Inspection

A home inspection gives the buyer more detailed information about the overall condition of the home prior to purchase. In a home inspection, a qualified inspector takes an in-depth, unbiased look at your potential new home to:

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

You Must Ask for a Home Inspection

A home inspection will only occur if you arrange for one. FHA does not perform a home inspection.

Decide early. You may be able to make your contract contingent on the results of the inspection.

Appraisals are Different from Home Inspections

An appraisal is different from a home inspection and does not replace a home inspection. Appraisals estimate the value of the property for lenders. An appraisal is required to ensure the property is marketable. Home inspections evaluate the condition of the home for buyers.

FHA Does Not Guarantee the Value or Condition of your Potential New Home

If you find problems with your new home after closing, FHA cannot give or lend you money for repairs, and FHA cannot buy the home back from you. Ask a qualified home inspector to inspect your potential new home and give you the information you need to make a wise decision.

Radon Gas Testing and other safety/health issues

The United States Environmental Protection Agency and the Surgeon General of the United States have recommended that all houses should be tested for radon. For more information on radon testing, call the toll-free National Radon Information Line at 1-800-SOS-Radon or 1-800-767-7236.

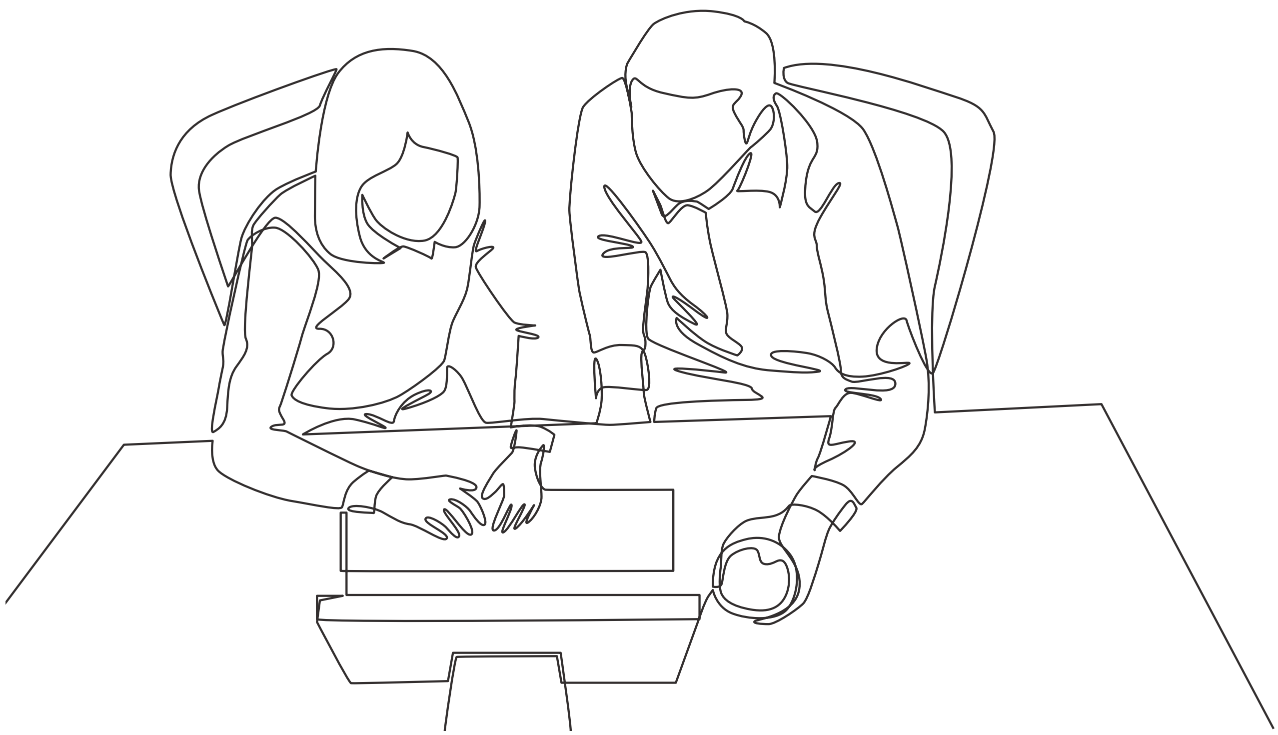
Ask your home inspector about additional health and safety tests that may be relevant for your home.

Be an Informed Buyer

It is your responsibility to be an informed buyer. You have the right to carefully examine your potential new home with a qualified home inspector. To find a qualified home inspector ask for references from friends, realtors, local licensing authorities and organizations that qualify and test home inspectors.

HUD-92564-CN (6/14)

CAUTION



The final step to homeownership:

Loan Closing

Chapter 7

The last step in buying a house is the closing. At the closing, you'll review and sign documents, provide any required funds and get the keys to your new home.

In this chapter, you'll learn about:

- The title to your home.
- Title insurance.
- Who should be at your closing.

Depending on where you live, your closing can be referred to as the **closing** or **settlement** day. You, as the homebuyer, must attend the closing. Others who may also be present, based on your specific circumstances, include your agent, lender, closing attorney, settlement agent, the seller(s) and the seller's agent.

After you receive a commitment letter for your loan, or a notification of your approval (which may be a phone call), you can set the date for closing. The closing may be held at the lender's office, attorney's office, title company, escrow company or county courthouse, depending on local practice.

PRO TIP

If you've locked in your rate, plan to close before your lock expires - especially if rates have gone up! Dragging out the closing (by you, the lender or seller) could be costly.

What, Exactly, Is Title Insurance?

The home you are about to purchase may be new to you, but every property has a history. Before your closing can take place, your lender will require that the property show a **clear title**. A clear title is one in which the owner owns the property outright and without any restrictions, such as liens or levies. This can be done by looking at the deed, tax and court records to verify ownership history.

Title insurance is paid for by the borrower (you). It protects both the borrower and lender against any property loss or damage they might experience because of liens, encumbrances or defects in the title to the property.

Title insurance protects against:

1. Liens (such as taxes and mechanics).
2. Unpaid taxes.
3. Errors in recording legal documents.
4. False claims of ownership.

PRO TIP

You have the right to choose your own title insurance company, or you can let your attorney or settlement agent handle that decision for you.

Understanding Title Insurance

There are two types of title insurance, **lender's title insurance** (loan policy), which protects the lender and **owner's title insurance** (buyer's policy), which protects the buyer.

Lender's Title Insurance

Since the lender is putting a lien against the property as collateral for the loan, the lender wants to be certain they have a clear title. The lender requires you to buy title insurance that will safeguard the loan in the event of any errors. This policy only protects the lender's financial investment.

Prior to closing, your attorney or settlement agent will have a title insurance company search the title to the property you are planning to buy. Information gathered during the search becomes a written report used by the title insurance company to issue the title policy. The one-time fee or premium for title insurance will be paid as part of your closing costs.

Owner's Title Insurance

The owner's title insurance provides protection to the buyer in the event that someone sues and says they have a claim against the home from before the buyer purchased it.

Owner's title insurance is not a loan-closing requirement, but you may want to consider it to protect your investment. The one-time fee or premium will be paid at closing.

Choose your option

There are two options for the owner's policy, the standard and the enhanced policy. The enhanced policy offers all of the same coverage as the standard policy against title defects that occurred prior to you owning the property. In addition, it offers limited coverage for defects that occur **after** you've purchased the property.

What does a policy cost?

Title insurance companies normally offer a reduced rate for purchasing both the owner's and lender's policy at the same company. As well as, purchasing an owner's policy simultaneously with closing.

You should make your decision about buying owner's title insurance prior to closing. This way your attorney or settlement agent can review the written title report to be sure any difficulties uncovered during the search have been resolved. If not, make sure they're covered in the owner's title insurance policy.

GOOD TO KNOW

Expect to pay $180 to $500 for a title search and title insurance.

Getting the "All Clear"

Although you may have a scheduled closing date, your closing does not happen until you receive the Clear to Close (CTC) from your lender. This is the final step before the lender funds your loan. The CTC means that you have satisfied all the conditions for your lender and underwriting has approved all required documents.

Depending on your lender, it can be given in written form or a phone call. Once the CTC is given, your exact time and date for closing will be set. It can be sooner or the same as the scheduled date. However, in some cases it may be later if you ran into some underwriting issues that caused the date to be pushed back.

To make sure the process goes smoothly:

- Respond to your lender in a timely manner.
- Give exactly what they ask for. Too much or not enough will slow down the process.

Closing Disclosure

The CTC triggers the issuance of your **Closing Disclosure (CD)**. The CD itemizes all the costs related to the transaction. It indicates which party (buyer or seller) is responsible for payment of each item, and summarizes the amount of money that you owe and the amount due to the seller at closing.

Important things to know about the CD:

1. The lender must provide the borrower a copy of the CD at least three business days prior to closing.
2. You need to review and compare the Loan Estimate (LE) to the CD. If there is a difference, bring it to the attention of your loan originator and your attorney or closing agent.
3. There are some allowable changes the lender can make to the CD up until the closing day.

PRO TIP

Changes such as unexpected walk-through discoveries, real estate commission and tax proration do not alter the basic terms of the purchase transaction and will not require an additional three days to review the disclosure. However, an increase to the Annual Percentage Rate (APR), an added prepayment penalty or a loan product change such as a switch from fixed to adjustable interest rate, will require an **additional three days** to review the revised Closing Disclosure.

Who Should Close Your Loan?

You have the right to choose who represents you, such as a closing attorney or a settlement agent, at the loan closing. You also have the right to decide if that individual will represent both the seller and buyer or just you as the buyer.

Even if the seller is paying your closing costs and expects you to use their attorney or settlement agent, you still have the right to make your own choice. However, you may have to pay the fees of whomever you choose.

The differences between a closing attorney and a settlement agent:

Closing Attorney

- Represents whomever pays for his service.
- Paralegal prepares all necessary documentation.
- Attorney reviews the documentation and makes any needed corrections.
- Meets with you personally to close loan.

Settlement Agent

- Does not represent the buyer or the seller.
- Prepares all necessary documentation.
- Staff attorneys review the documentation and make any needed corrections.
- Meets with you to close the loan.

PRO TIP

If you are thinking about sending a wire transfer for your closing funds, check with your bank and lender before closing day. You may have to deposit the funds with the closer the day before closing.

What to bring to your closing:

- A copy of the closing disclosure (CD) provided to you before closing.
- Cashier's or certified check or proof of wire transfer for the balance due at closing. (Personal checks are not acceptable).
- Government-issued photo ID (such as a driver's license, a passport, etc.).
- Any other documentation required by the lender.

GOOD TO KNOW

Shop for property insurance early. Lenders will require proof of insurance before your closing date. This will include a homeowners or condo policy, and a flood policy (if applicable).

Know Your Legal Documents

There are numerous legal documents that will require your signature. Sample documents can be found at the end of the chapter, to include a Closing Disclosure (CD), Deed, Promissory Note, Deed of Trust and Condominium and Planned Unit Development Riders. Let's take a look at some of the most important ones.

PRO TIP

Make sure your loan closing packet includes the:

• Closing Disclosure.

• Deed.

• Promissory Note.

• Deed of Trust.

Deed:

This is the legal document used to transfer ownership of real property.

Specifically, the deed:

- Conveys the title from the seller to the buyer.
- Is recorded in the local circuit clerk's office.
- Is prepared by the seller's attorney or settlement agent.

Before the deed is prepared, you, as the borrower, must decide how you want to take title to the property on the deed.

There Are Four Ways to Hold the Title:

- **Sole Owner** indicates you are the only owner of the property.
- **Tenancy by the Entirety** with the right of survivorship is available only to married couples. With this type of title, when one spouse dies, the property automatically goes to the surviving spouse. Only creditors of both spouses can attach liens to the property via a judgment.
- **Joint Tenancy** with right of survivorship recognizes the property is owned jointly. The title is held in the names of two or more persons. With this type of title, when one owner dies, the surviving owner(s) automatically gets the deceased owner's share in the property.
- **Tenancy in Common** recognizes the property is owned jointly, but states that if one owner dies, the deceased owner's share goes to his or her heirs rather than the surviving owner.

In addition to the deed, you'll be reviewing several other important documents, including:

Promissory Note: This is your promise to pay. The Note also spells out the terms under which you're borrowing the money to purchase the house, including:

- Loan amount.
- Payment due date.
- Interest rate.
- Term.
- Late payment penalties.
- Prepayment.
- Default procedures.

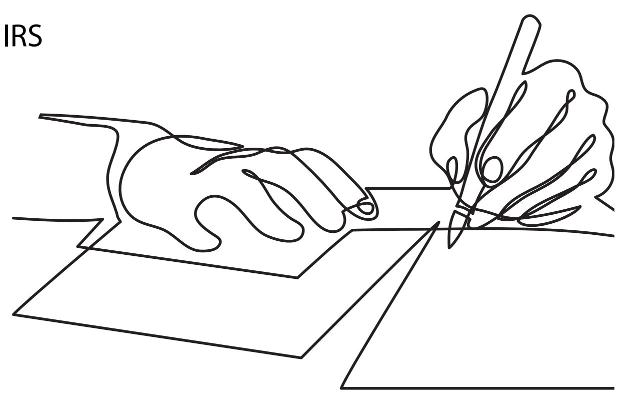
Deed of Trust or Mortgage: This is a lien against your house held by the lender. The mortgage secures payment of the note and spells out what happens should the terms of the note not be met. Specifically, it allows the lender to accelerate the debt and foreclose on the property in the event of default.

Compliance agreement: This states that you'll agree to re-sign documents if any error is made.

Affidavits: These may be required by state law or by the lender. For example, you may have to sign an affidavit stating that you'll use the property as your primary residence.

IRS forms: These include any forms required by the IRS to buy a home.

Other documents: These may state that you haven't been declared mentally incompetent; that you're over 18; that you're still employed at the same place, etc.



Making Your Final Walk-through

Your contract should have a clause allowing you to examine the property prior to closing. The final walk-through allows you to inspect the home to make sure the seller has vacated the property and check for any deficiencies or damage.

Typically, your real estate agent will accompany you on this inspection. Allow at least 30 minutes to an hour for the final walk-through.

Bring the following items to your walk-through:

- **Notebook and smart phone/camera** — Make notes and take pictures of any issues or problems. Look for any damage or defects that were previously covered by the seller's furniture, rugs or wall decorations.
- **Copy of your contract** — Make sure the seller(s) haven't taken things that should have been left in the house according to the sale contract (such as window treatments, appliances, etc.). Be sure to check for things that are important to you, such as the den ceiling fan or other mounted fixtures. Check off each item as you see it.
- **Copy of PICRA (Property Inspection Contingency Removal Addendum)** — Check the status of repairs the seller(s) agreed to repair.
- **Blue painter's tape**— For new construction, use the tape to mark any unfinished or damaged areas for the builder to address.

Addressing problems

If there is a minor problem, you may decide to ignore it to avoid a delay in closing. If a problem is major, your response may depend on whether it was disclosed at the time of the sale.

If the problem was disclosed, but won't be corrected before settlement, then the attorney or settlement agent may withhold funds from the seller to cover the cost of the agreed-upon repairs.

If the problem was not disclosed, then talk with your real estate agent or attorney. You may have legal recourse.

Whether the problem is major or minor, be sure to discuss the situation with your real estate agent. Your real estate agent will be able to assist you, as well as your attorney if necessary.

PRO TIP

Never buy a house without a final walk-through. If necessary, delay the closing until you have one.

Happy Closing Day

It's finally here, the day you've been dreaming of. If you can, take the entire day off from work so you won't have to be concerned about getting back to the job. Even without problems, the closing process may take longer than anticipated.

Your attorney or settlement agent should have let you know in advance the amount of money you will need for closing. You must make sure your money is available in advance of closing, and that it is **collected funds**. Collected funds means that the financial instrument (such as a money order, cashier's check or wire transfer) offered at time of settlement is as good as cash.

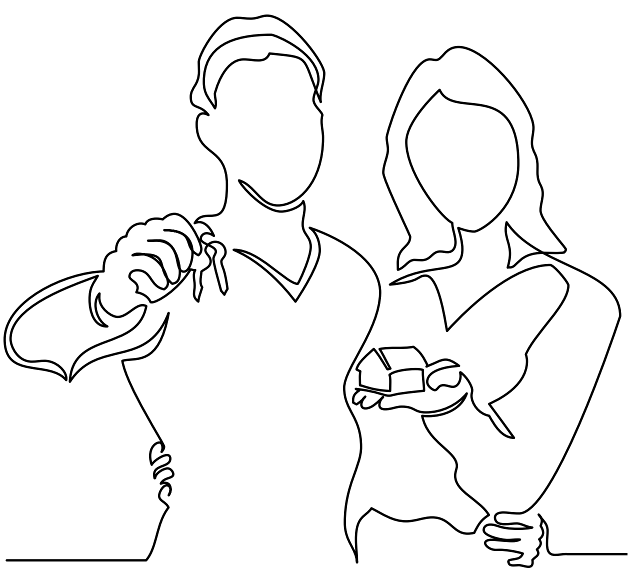
You will be given copies of all the documents you sign. These are important papers and should be kept together in a safe place. When you sell the house, you want to have this information available to review.

After all the papers have been signed, the attorney or settlement agent will give you the keys to your new home.

PRO TIP

- Try not to schedule your move for the same day as your closing. Moving a few days later gives you time to clean your new home's interior.
- Be sure to get any mailbox keys, garage door openers and other special keys that go with the property. The seller might forget these, but you'll be glad you remembered when the time comes to pick up your mail or put your car in the garage.

Congratulations! You're now a homeowner!



In this chapter, we discussed:

- Title insurance.
- What to bring to your closing.
- Your final walk-through.

Documents included at the end of this chapter:

- Deed.
- Note.
- Deed of Trust.
- Condominium Rider.
- Planned Unit Development Rider.
- Closing Disclosure.

Prepared by Law Office 282
Westgate Mall Circle, Ste 123
Pennington Gap, VA 24277 VA
State Bar #

Tax Map ID# 223

Assessed Value: $103,300.00

THIS DEED, made and entered into this 5th day of April, 2019, by and between, The Sellers, party of the first part, and The Borrowers, whose address is: ___________ ____, party of the second part;

W I T N E S S E T H:

NOW for and in consideration of the sum of ONE HUNDRED TWENTY-THREE THOUSAND ($123,000.00) DOLLARS, cash in hand paid, the receipt of all of which Is hereby acknowledged by the party of the first part, the said party of the first part does hereby grant, bargain, sell and convey with GENERAL WARRANTY and ENGLISH COVENANTS OF TITLE unto the said party of the second part, the following described real estate, to-wit:

All that certain tract or parcel of land situate in the City of Bristol, Virginia, identified as 123 Main Road, Bristol, Virginia, and being more particularly described as follows:

BEING Lot No. 13, Block 3, Section 6 of Valley Addition Subdivision as shown by the plat of Valley Addition of record in Plat Book 3, page 19, in the Clerk's Office of the Circuit Court of Bristol, Virginia,

Being the same tract or parcel of property The Sellers acquired by Deed dated April 13, 2000, from Previous owner, and recorded in the Circuit Court Clerk's Office for the City of Bristol, Virginia in Deed Book 82, page 5.

Tax ID: 223

This conveyance Is made expressly subject to and beneficiary of any and all the restrictions, conditions, Rights-of-way, and easements, if any, contained in the instruments constituting the chain of title to the property conveyed herein, and to matters visible upon Inspection.

WITNESS the following signature and seal:

____(SEAL)
Your Seller

STATE OF VIRGINIA

COUNTY OF Washington. to-wit:

The foregoing instrument was acknowledged before me this 5th day of April, 2019, by Your Seller.

My Commission expires ___________________________________.

____
Notary Public

FHA Case No: 0123456789
Loan #: 000000000

NOTE

RICHMOND [City] **Virginia** [State]

[Property Address)

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S.$__________ (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is VIRGINIA HOUSING DEVELOPMENT AUTHORITY. I will make all payments under this Note in the form of cash, check or money order.

I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

2. INTEREST

Interest will be charged on unpaid principal until the full amount of Principal has been paid. I **will** pay interest at a yearly rate of ____%.

The interest rate required by this Section 2 is the rate I will pay both before and after any default described in Section 6(8) of this Note.

3. PAYMENTS

(A) Time **and Place of Payments**

I will pay principal and interest by making a payment every month.

I will make my monthly payment on the 1st day of each month beginning on _______________ I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. Each monthly payment will be applied as of its scheduled due date and will be applied to interest and other items in the order described in the Security Instrument before Principal. If, on
, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

(B) **Amount of Monthly Payment**

My monthly payment will be in the amount of U.S. $.

4. BORROWERS RIGHT TO PREPAY

I have the right to make payments of Principal at any time before they are due. A payment of Principal only is known as a "Prepayment." When I make a Prepayment, I will tell the Note Holder in writing that I am doing so. I may not designate a payment as a Prepayment if I have not made all the monthly payments due under the Note.

I may make a full Prepayment or partial Prepayments without paying a Prepayment charge. The Note Holder will use my Prepayments to reduce the amount of Principal that I owe under this Note. However, the Note Holder may apply my Prepayment to the accrued and unpaid interest on the Prepayment amount, before applying my Prepayment to reduce the Principal amount of the Note. If I make a partial Prepayment, there will be no changes in the due date or in the amount of my monthly payment unless the Note Holder agrees in writing to those changes.

5. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from me which exceeded permitted

Initials: _______

limits will be refunded to me. The Note Holder may choose to make this refund by reducing the Principal I owe under this Note or by making a direct payment to me. If a refund reduces Principal the reduction will be treated as a partial Prepayment.

6. BORROWER'S FAILURE TO **PAY AS** REQUIRED

(A) Late Charge for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be **4.000%** of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

(B) Default

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

(C) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of Principal which has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

(D) No Waiver By Note Holder

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorney's fees.

7. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by delivering it or by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

8. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

9. WAIVERS

I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor and waive the benefit of the homestead exemption as to the Property described in the Security Instrument (as defined below). "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

10. UNIFORM SECURED NOTE

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the

Initials: _______

FHA Case No: **0123456789**
Loan#: **000000000**

protections given to the Note Holder under this Note, a Mortgage, Deed of Trust, or Security Deed (the ·security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

> If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.
>
> If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 14 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

WITNESS THE HANO(S) ANO SEAL(S) OF THE UNDERSIGNED

_______________________________________ (Seal}
Borrower – **Leah V Homebound**

[Sign Original Only}

This is to certify that this is the Note described in and secured by a Deed of Trust dated __________________________ on the property located in _____________________, Virginia.

My Commission **expires:**

____
Notary Public

Notary Registration Number:

Date of Notarization:

Place of Notarization
Origination Company:
NMLSR ID:__________ _
Originator:
NMLSR ID:
Lender:
NMLSR ID:__________

Initials: _______

After Recording Return To:

Prepared By:

Amount of Consideration: $
Property Value: $

[Space Above This Line For Recording Data]

DEED OF TRUST

State of Virginia

FHA Case#: **0123456789**
Loan #: **00000000000**

The following information, as further defined below, is provided in accordance with Virginia law:

This Deed of Trust is given by LEAH V HOMEBOUND, as Borrower (trustor), to __________________ as Trustee, for the benefit of VIRGINIA HOUSING DEVELOPMENT AUTHORITY, as beneficiary.

DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 10, 12, 17, 19 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 15.

(A) **"Security Instrument"** means this document, which is dated __________________, together with all Riders to this document.
(B) **"Borrower" is LEAH V HOMEBOUND.** Borrower is the trustor under this Security Instrument.
(C) **"Lender"** is. Lender is a organized and existing under the laws of. Lender's address is. **Lender Is the beneficiary under this Security** Instrument
(D) **"Trustee" is** _________________. Trustee (whether one or more persons) is a Virginia resident and/or a United States- or Virginia-chartered corporation whose principal office is located in Virginia. Trustee's address is,
(E) **"Note"** means the promissory note signed by Borrower and dated. The Note states that Borrower owes Lender Dollars (U.S.$_______) plus interest. Borrower has promised to pay this debt in regular

Initials: _______

Periodic Payments and to pay the debt in full not later than ______________. The interest rate stated in the Note is percent (_____%). If this Security Instrument is an adjustable rate mortgage loan, this initial rate is subject to change in accordance with the attached Adjustable Rate Rider.

(F) **"Property"** means the property that is described below under the heading "Transfer of Rights in the Property."
(G) "Loan" means the debt evidenced by the Note, plus interest, late charges due under the Note, and all sums due under this Security Instrument, plus interest.
(H) **"Riders"** means all Riders to this Security Instrument that are executed by Borrower. The following Riders are to be executed by Borrower [check box as applicable]:

[ ] Adjustable Rate Rider
[ ] Condominium Rider
[ ] Planned Unit Development Rider
[ ] Other(s) [specify]

(I) **"Applicable Law'** means all controlling applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.
(J) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.
(K) "Electronic **Funds Transfer''** means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.
(L) **"Escrow Items"** means those items that are described in Section 3.
(M) **"Miscellaneous Proceeds"** means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverages described in Section 5) for: (i) damage to, or destruction of, the Property; (ii) condemnation or other taking of all or any part of the Property; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the value and/or condition of the Property.
(N) **"Mortgage Insurance"** means insurance protecting Lender against the nonpayment of, or default on, the Loan.
(O) **"Periodic Payment"** means the regularly scheduled amount due for (i) principal and interest under the Note, plus (ii) any amounts under Section 3 of this Security Instrument.
(P) **"RESPA"** means the Real Estate Settlement Procedures Act (12 U.S.C. §2601 et seq.) and its implementing regulation, Regulation X (12 C.F.R. Part 1024), as they might be amended from time to time, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Instrument, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan• even if the Loan does not qualify as a "federally related mortgage loan" under RESPA.
(Q) **"Secretary"** means the Secretary of the United States Department of Housing and Urban Development or his designee.
(R) **"Successor** in **Interest of Borrower"** means any party that has taken title to the Property, whether or not that party has assumed Borrower's obligations under the Note and/or this Security Instrument.

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TRANSFER OF RIGHTS IN THE PROPERTY

This Security Instrument secures to Lender: (i) the repayment of the Loan, and all renewals, extensions and modifications of the Note; and (ii) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the **COUNTY** of

SEE LEGAL DESCRIPTION ATTACHED HERETO AND MADE A PART HEREOF.

which currently has the address of ____________________ **Richmond, Virginia,** ("Property Address"):

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. Payment of Principal, Interest, Escrow Items, and Late Charges. Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash;
(b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity; or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 14. Lender may return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver of any rights hereunder or prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be

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applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

2. Application of Payments or Proceeds. Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority:

First, to the Mortgage Insurance premiums to be paid by Lender to the Secretary or the monthly charge by the Secretary instead of the monthly mortgage insurance premiums;

Second, to any taxes, special assessments, leasehold payments or ground rents, and fire, flood and other hazard insurance premiums, as required;

Third, to interest due under the Note;

Fourth, to amortization of the principal of the Note; and,

Fifth, to late charges due under the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount of the Periodic Payments.

3. Funds for Escrow Items. Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums to be paid by Lender to the Secretary or the monthly charge by the Secretary instead of the monthly Mortgage Insurance premiums. These items are called "Escrow Items." At origination or at any time during the term of the Loan, Lender may require that Community Association Dues, Fees, and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be an Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow Items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts evidencing such payment within such time period as Lender may require. Borrower's obligation to make such payments and to provide receipts shall for all purposes be deemed to be a covenant and agreement contained in this Security Instrument, as the phrase "covenant and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and pay such amount and Borrower shall then be obligated under Section 9 to repay to Lender any such amount. Lender may revoke the waiver as to any or all Escrow Items at any time by a notice given in accordance with Section 14 and, upon such revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender to apply the Funds at the time specified under RESPA, and (b) not to exceed the maximum amount a lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with Applicable Law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items no later than the time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds,

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annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and Applicable Law permits Lender to make such a charge. Unless an agreement is made in writing or Applicable Law requires interest to be paid on the Funds, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds as required by RESPA.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the shortage in accordance with RESPA, but in no more than 12 monthly payments. If there is a deficiency of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the deficiency in accordance with RESPA, but in no more than 12 monthly payments.

Upon payment In full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the Property which can attain priority over this Security Instrument, leasehold payments or ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any. To the extent that these items are Escrow Items, Borrower shall pay them in the manner provided in Section 3.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, but only so long as Borrower is performing such agreement; (b) contests the lien in good faith by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien while those proceedings are pending, but only until such proceedings are concluded; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which can attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within 10 days of the date on which that notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth above in this Section 4.

5. Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and any other hazards including, but not limited to, earthquakes and floods, for which Lender requires insurance. This insurance shall be maintained in the amounts (including deductible levels) and for the periods that Lender requires. What Lender requires pursuant to the preceding sentences can change during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised unreasonably. Lender may require Borrower to pay, in connection with this Loan, either: (a) a one-time charge for flood zone determination, certification and tracking services; or (b) a one-time charge for flood zone determination and certification services and subsequent charges each time remappings or similar changes occur which reasonably might affect such determination or certification. Borrower shall also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency in connection with the review of any flood zone determination resulting from an objection by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of

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insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if rt0t made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

6. Occupancy. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender determines that this requirement shall cause undue hardship for the Borrower or unless extenuating circumstances exist which are beyond Borrower's control.

7. Preservation, Maintenance and Protection of the Property; Inspections. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the

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Property only if Lender has released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

If condemnation proceeds are paid in connection with the taking of the property, Lender shall apply such proceeds to the reduction of the indebtedness under the Note and this Security Instrument, first to any delinquent amounts, and then to payment of principal. Any application of the proceeds to the principal shall not extend or postpone the due date of the monthly payments or change the amount of such payments.

Lender or its agent may make reasonable entries upon and inspections of the Property. If it has reasonable cause, Lender may inspect the interior of the improvements on the Property. Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

8. Borrower's loan Application. Borrower shall be in default if, during the Loan application process, Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Property as Borrower's principal residence.

9. Protection of Lender's Interest in **the Property and Rights Under this Security Instrument.** If (a) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Security Instrument, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

10. Assignment of Miscellaneous Proceeds; Forfeiture. All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous Proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been

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completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance shall be paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. “Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 18, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.

11. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or any Successors in Interest of Borrower. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or any Successors in Interest of Borrower. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third

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persons, entities or Successors in Interest of Borrower or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

12. Joint and Several Liability; Co-signers; Successors and Assigns Bound. Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several. However, any Borrower who co-signs this Security Instrument but does not execute the Note (a "co-signer"): (a) is co-signing this Security Instrument only to mortgage, grant and convey the co-signer's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower can agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signer's consent.

Subject to the provisions of Section 17, any Successor in Interest of Borrower who assumes Borrower's obligations under this Security Instrument in writing, and is approved by Lender, shall obtain all of Borrower's rights and benefits under this Security Instrument. Borrower shall not be released from Borrower's obligations and liability under this Security Instrument unless Lender agrees to such release in writing. The covenants and agreements of this Security Instrument shall bind (except as provided in Section 19) and benefit the successors and assigns of Lender.

13. Loan **Charges.** Lender may charge Borrower fees for services performed in connection with Borrower's default, for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument, including, but not limited to, attorneys' fees, property inspection and valuation fees. Lender may collect fees and charges authorized by the Secretary. Lender may not charge fees that are expressly prohibited by this Security Instrument or by Applicable Law.

If the Loan is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the Loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment with no changes in the due date or in the monthly payment amount unless the Note holder agrees in writing to those changes. Borrower's acceptance of any such refund made by direct payment to Borrower will constitute a waiver of any right of action Borrower might have arising out of such overcharge.

14. Notices. All notices given by Borrower or Lender in connection with this Security Instrument must be in writing. Any notice to Borrower in connection with this Security Instrument shall be deemed to have been given to Borrower when mailed by first class mail or when actually delivered to Borrower's notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless Applicable Law expressly requires otherwise. The notice address shall be the Property Address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. If Lender specifies a procedure for reporting Borrower's change of address, then Borrower shall only report a change of address through that specified procedure. There may be only one designated notice address under this Security Instrument at any one time. Any notice to Lender shall be given by delivering it or by mailing it by first class mail to Lender's address stated herein unless Lender has designated another address by notice to Borrower. Any notice in connection with this Security Instrument shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Security Instrument is also required under Applicable Law, the Applicable Law requirement will satisfy the corresponding requirement under this Security Instrument.

15. Governing Law; Severability; Rules of Construction. This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Security Instrument are subject to any requirements and limitations of

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Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. In the event that any provision or clause of this Security Instrument or the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision.

As used in this Security Instrument: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

16. Borrower's Copy. Borrower shalt be given one copy of the Note and of this Security Instrument.

17. Transfer of the Property or a Beneficial Interest in **Borrower. As** used in this Section 17, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 14 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

18. Borrower's Right to Reinstate After Acceleration. If Borrower meets certain conditions, Borrower shall have the right to reinstatement of this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. However, Lender is not required to reinstate if: (i) Lender has accepted reinstatement after the commencement of foreclosure proceedings within two years immediately preceding the commencement of a current foreclosure proceedings; (ii) reinstatement will preclude foreclosure on different grounds in the future, or (iii) reinstatement will adversely affect the priority of the lien created by this Security Instrument. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender. (a) cash; (b) money order;
(c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or
(d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 17.

19. Sale of Note; Change of Loan Servicer; Notice of Grievance. The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that

Initials: _______

collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

20. Borrower Not Third-Party Beneficiary to Contract of Insurance. Mortgage Insurance reimburses Lender (or any entity that purchases the Note) for certain losses it may incur if Borrower does not repay the Loan as agreed. Borrower acknowledges and agrees that the Borrower is not a third party beneficiary to the contract of insurance between the Secretary and Lender, nor is Borrower entitled to enforce any agreement between Lender and the Secretary, unless explicitly authorized to do so by Applicable Law.

21. Hazardous Substances. As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (b) "Environmental Law• means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and (d) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (a) that is in violation of any Environmental Law, (b) which creates an Environmental Condition, or (c) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, hazardous substances in consumer products).

Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of release of any Hazardous Substance, and (c) any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

22. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 17 unless Applicable Law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30

Initials: _______

days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option may require Immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, Including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender or Trustee shall give to Borrower, the owner of the Property, and all other persons, notice of sale as required by Applicable Law. Trustee shall give public notice of sale by advertising, in accordance with Applicable Law, once a week for two successive weeks in a newspaper having general circulation in the county or city in which any part of the Property Is located, and by such additional or any different form of advertisement the Trustee deems advisable. Trustee may sell the Property on the eighth day after the first advertisement or any day thereafter, but not later than 30 days following the last advertisement. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property by advertising in accordance with Applicable Law. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property with special warranty of title. The recitals in the Trustee's **deed** shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to discharge the expenses of executing the trust, Including a reasonable commission to Trustee; (b) to discharge all taxes, levies, and assessment, with costs and interest if these costs have priority over the lien of this Security Instrument, including the due pro rata thereof for the current year; (c) to discharge in the order of their priority, if any, the remaining debts and obligations secured by this Security Instrument, and any liens of record inferior to this Security Instrument under which sale Is made, with lawful Interest; and, (d) the residue of the proceeds shall be paid to Borrower or Borrower's assigns. Trustee shall not be required to take possession of the Property prior to the sale thereof or to deliver possession of the Property to the purchaser at the sale.

23. Release. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to release this Security Instrument and shall surrender all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall release this Security Instrument. Borrower shall pay any recordation costs. Lender may charge Borrower a fee for releasing this Security Instrument, but only if the fee is paid to a third party for services rendered and the charging of the fee is permitted under Applicable Law.

24. Substitute Trustee. Lender, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by Applicable Law.

NOTICE: THE DEBT SECURED HEREBY IS SUBJECT TO CALL IN FULL OR THE TERMS THEREOF BEING MODIFIED IN THE EVENT OF SALE OR CONVEYANCE OF THE PROPERTY CONVEYED.

Initials: _______

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any Rider executed by Borrower and recorded with it.

_______________________________________ (Seal)
Borrower – **Leah V Homebound**

[Space Below This Line For Acknowledgment)

State of Virginia

County of__________________________

The foregoing instrument was acknowledged before me on this (Date)__________________________

by ____

____

____
(Signature of person taking acknowledgment)

____
(Title or rank)

____
(Serial number, If any)

My commission expires the _____ day of________________,________

Origination Company:
NMLSR ID:_________
Originator:
NMLSR ID:
Lender:
NMLSR ID:__________

Initials: _______

EXHIBIT A

CONDOMINIUM RIDER

THIS CONDOMINIUM RIDER is made this_________day of________, 20_, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed ("Security Instrument") of the same date given by the undersigned ("Borrower") to secure Borrower's Note ("Note") to ____ ("Lender") of the same date and covering the Property described in the Security Instrument and located at:

[Property Address]

The Property includes a unit in, together with an undivided interest in the common elements of, a condominium project known as:

[Name of Condominium Project]

("Condominium Project"). If the owners association or other entity which acts for the Condominium Project ("Owners Association") holds title to property for the benefit or use of its members or shareholders, the Property also includes Borrower's interest in the Owners association and the uses, proceeds and benefits of Borrower's interest.

CONDOMINIUM COVENANTS. In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

A. So long as the Owners Association maintains, with a generally accepted insurance carrier, a "master" or "blanket" policy insuring all property subject to the condominium documents, including all improvements now existing or hereafter erected on the Property, and such policy is satisfactory to Lender and provides insurance coverage in the amounts, for the periods, and against the hazards lender requires, including fire and other hazards included within the term "extended coverage," and loss by flood, to the extent required by the Secretary, then: (i) Lender waives the provision in Paragraph 3 of this Security Instrument for the monthly payment to Lender of one-twelfth of the yearly premium installments for hazard insurance on the Property, and (ii) Borrower's obligation under Paragraph 5 of this Security Instrument to maintain hazard insurance coverage on the Property is deemed satisfied to the extent that the required coverage is provided by the Owners Association policy. Borrower shall give Lender prompt notice of any lapse in required hazard insurance coverage and of any loss occurring from a hazard. In the event of a distribution of hazard insurance proceeds in lieu of restoration or repair following a loss to the Property, whether to the condominium unit or to the common elements, any proceeds payable to Borrower are hereby assigned and shall be paid to Lender for application to the sums secured by this Security Instrument, with any excess paid to the entity legally entitled thereto.

B. Borrower promises to pay all dues and assessments imposed pursuant to the legal instruments creating and governing the Condominium Project.

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C. If Borrower does not pay condominium dues and assessments when due, then Lender may pay them. Any amounts disbursed by Lender under this paragraph C shall become additional debt of Borrower secured by the Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and provisions contained in this Condominium Rider.

____________________________(SEAL)
Borrower

____________________________(SEAL)
Borrower

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS.]

PLANNED UNIT DEVELOPMENT RIDER

THIS PLANNED UNIT DEVELOPMENT RIDER is made this_________________day of____ , . and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed ("Security Instrument") of the same date given by the undersigned ("Borrower") to secure Borrower's Note ("Note") to_______________________________"Lender" of the same date and covering the Property described in the Security Instrument and located at:

[Property Address]

The Property Address is a part of a planned unit development ("PUD") known as

[Name of Planned Unit Development]

PUD COVENANTS. In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

A. So long as the Owners Association (or equivalent entity holding title to common areas and facilities), acting as trustee for the homeowners, maintains, with a generally accepted insurance carrier, a "master" or "blanket" policy insuring the property located in the PUD, including all improvements now existing or hereafter erected on the mortgaged premises, and such policy is satisfactory to Lender and provides insurance coverage in the amounts, for the periods, and against the hazards Lender requires, including fire and other hazards included within the term [0] extended coverage," and loss by flood, to the extent required by the Secretary, then:

(i) Lender waives the provision in Paragraph 3 of this Security Instrument for the monthly payment to Lender of one-twelfth of the yearly premium installments for hazard insurance on the Property, and

(ii) Borrower[1]s obligation under Paragraph 5 of this Security Instrument to maintain hazard insurance coverage on the Property is deemed satisfied to the extent that the required coverage is provided by the Owners Association policy.

Borrower shall give Lender prompt notice of any lapse in required hazard insurance coverage and of any loss occurring from a hazard. In the event of a distribution of hazard insurance proceeds in lieu of restoration or repair following a loss to the Property or to common areas and facilities of the PUD, any proceeds payable to Borrower are hereby assigned and shall be paid to Lender for application to the sums secured by this Security Instrument, with any excess paid to the entity legally entitled thereto.

8. Borrower promises to pay all dues and assessments imposed pursuant to the legal instruments creating and governing the PUD.

C. If Borrower does not pay PUD dues and assessments when due, then Lender may pay them. Any amounts disbursed by Lender under this paragraph C shall become additional debt of

Borrower secured by the Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and provisions contained in this PUD Rider.

___________________(SEAL)
Borrower

___________________(SEAL)
Borrower

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS.]

Closing Disclosure

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

Closing Information		Transaction Information		Loan Information	
Date Issued	04/15/2019	**Borrower**	Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345	**Loan Term**	30 years
Closing Date	04/18/2019			**Purpose**	Purchase
Disbursement Date	04/18/2019			**Product**	Fixed Rate
Settlement Agent	Epsilon Title Co.	**Seller**	Steve Cole and Amy Doe 321 Somewhere Drive Anytown, ST 12345		
File #	12-3456			**Loan Type**	☒ Conventional ☐ FHA ☐ VA ☐ ____________
Property	456 Somewhere Ave Anytown, ST 12345	**Lender**	Ficus Bank	**Loan ID #**	123456789
Sale Price	$180,000			**MIC #**	000654321

Loan Terms

Loan Terms		Can this amount increase after closing?
Loan Amount	$162,000	**NO**
Interest Rate	3.875%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$761.78	**NO**
		Does the loan have these features?
Prepayment Penalty		**YES** • **As high as $3,240** if you pay off the loan during the first 2 years
Balloon Payment		**NO**

Projected Payments

Payment Calculation	**Years 1-7**	**Years 8-30**
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82.35	+ —
Estimated Escrow *Amount can increase over time*	+ 206.13	+ 206.13
Estimated Total Monthly Payment	$1,050.26	$967.91

		This estimate includes	In escrow?
Estimated Taxes, Insurance & Assessments *Amount can increase over time* *See page 4 for details*	$356.13 a month	☒ Property Taxes	**YES**
		☒ Homeowner's Insurance	**YES**
		☒ Other: Homeowner's Association Dues	**NO**
		See Escrow Account on page 4 for details. You must pay for other property costs separately.	

Costs at Closing

Closing Costs	$9,712.10	Includes $4,694.05 in Loan Costs + $5,018.05 in Other Costs – $0 in Lender Credits. *See page 2 for details.*
Cash to Close	$14,147.26	Includes Closing Costs. *See Calculating Cash to Close on page 3 for details.*

Closing Cost Details

Loan Costs

	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
A. Origination Charges	**$1,802.00**				
01 0.25 % of Loan Amount (Points)	$405.00				
02 Application Fee	$300.00				
03 Underwriting Fee	$1,097.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	**$236.55**				
01 Appraisal Fee to John Smith Appraisers Inc.					$405.00
02 Credit Report Fee to Information Inc.		$29.80			
03 Flood Determination Fee to Info Co.	$20.00				
04 Flood Monitoring Fee to Info Co.	$31.75				
05 Tax Monitoring Fee to Info Co.	$75.00				
06 Tax Status Research Fee to Info Co.	$80.00				
07					
08					
09					
10					
C. Services Borrower Did Shop For	**$2,655.50**				
01 Pest Inspection Fee to Pests Co.	$120.50				
02 Survey Fee to Surveys Co.	$85.00				
03 Title – Insurance Binder to Epsilon Title Co.	$650.00				
04 Title – Lender's Title Insurance to Epsilon Title Co.	$500.00				
05 Title – Settlement Agent Fee to Epsilon Title Co.	$500.00				
06 Title – Title Search to Epsilon Title Co.	$800.00				
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	**$4,694.05**				
Loan Costs Subtotals (A + B + C)	$4,664.25	$29.80			

Other Costs

	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
E. Taxes and Other Government Fees	**$85.00**				
01 Recording Fees Deed: $40.00 Mortgage: $45.00	$85.00				
02 Transfer Tax to Any State			$950.00		
F. Prepaids	**$2,120.80**				
01 Homeowner's Insurance Premium (12 mo.) to Insurance Co.	$1,209.96				
02 Mortgage Insurance Premium (mo.)					
03 Prepaid Interest ($17.44 per day from 4/15/13 to 5/1/13)	$279.04				
04 Property Taxes (6 mo.) to Any County USA	$631.80				
05					
G. Initial Escrow Payment at Closing	**$412.25**				
01 Homeowner's Insurance $100.83 per month for 2 mo.	$201.66				
02 Mortgage Insurance per month for mo.					
03 Property Taxes $105.30 per month for 2 mo.	$210.60				
04					
05					
06					
07					
08 Aggregate Adjustment	– 0.01				
H. Other	**$2,400.00**				
01 HOA Capital Contribution to HOA Acre Inc.	$500.00				
02 HOA Processing Fee to HOA Acre Inc.	$150.00				
03 Home Inspection Fee to Engineers Inc.	$750.00			$750.00	
04 Home Warranty Fee to XYZ Warranty Inc.			$450.00		
05 Real Estate Commission to Alpha Real Estate Broker			$5,700.00		
06 Real Estate Commission to Omega Real Estate Broker			$5,700.00		
07 Title – Owner's Title Insurance (optional) to Epsilon Title Co.	$1,000.00				
08					
I. TOTAL OTHER COSTS (Borrower-Paid)	**$5,018.05**				
Other Costs Subtotals (E + F + G + H)	$5,018.05				

	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
J. TOTAL CLOSING COSTS (Borrower-Paid)	**$9,712.10**				
Closing Costs Subtotals (D + I)	$9,682.30	$29.80	$12,800.00	$750.00	$405.00
Lender Credits					

CLOSING DISCLOSURE PAGE 2 OF 5 • LOAN ID # 123456789

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?
Total Closing Costs (J)	$8,054.00	$9,712.10	**YES** • See **Total Loan Costs (D)** and **Total Other Costs (I)**
Closing Costs Paid Before Closing	$0	– $29.80	**YES** • You paid these Closing Costs **before closing**
Closing Costs Financed (Paid from your Loan Amount)	$0	$0	**NO**
Down Payment/Funds from Borrower	$18,000.00	$18,000.00	**NO**
Deposit	– $10,000.00	– $10,000.00	**NO**
Funds for Borrower	$0	$0	**NO**
Seller Credits	$0	– $2,500.00	**YES** • See Seller Credits in **Section L**
Adjustments and Other Credits	$0	– $1,035.04	**YES** • See details in **Sections K and L**
Cash to Close	$16,054.00	$14,147.26	

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing					**$189,762.30**
01	Sale Price of Property				$180,000.00
02	Sale Price of Any Personal Property Included in Sale				
03	Closing Costs Paid at Closing (J)				$9,682.30
04					
Adjustments					
05					
06					
07					
Adjustments for Items Paid by Seller in Advance					
08	City/Town Taxes		to		
09	County Taxes		to		
10	Assessments		to		
11	HOA Dues	4/15/13	to	4/30/13	$80.00
12					
13					
14					
15					
L. Paid Already by or on Behalf of Borrower at Closing					**$175,615.04**
01	Deposit				$10,000.00
02	Loan Amount				$162,000.00
03	Existing Loan(s) Assumed or Taken Subject to				
04					
05	Seller Credit				$2,500.00
Other Credits					
06	Rebate from Epsilon Title Co.				$750.00
07					
Adjustments					
08					
09					
10					
11					
Adjustments for Items Unpaid by Seller					
12	City/Town Taxes	1/1/13	to	4/14/13	$365.04
13	County Taxes		to		
14	Assessments		to		
15					
16					
17					
CALCULATION					
Total Due from Borrower at Closing (K)					$189,762.30
Total Paid Already by or on Behalf of Borrower at Closing (L)					– $175,615.04
Cash to Close ☒ From ☐ To Borrower					**$14,147.26**

SELLER'S TRANSACTION

M. Due to Seller at Closing					**$180,080.00**
01	Sale Price of Property				$180,000.00
02	Sale Price of Any Personal Property Included in Sale				
03					
04					
05					
06					
07					
08					
Adjustments for Items Paid by Seller in Advance					
09	City/Town Taxes		to		
10	County Taxes		to		
11	Assessments		to		
12	HOA Dues	4/15/13	to	4/30/13	$80.00
13					
14					
15					
16					
N. Due from Seller at Closing					**$115,665.04**
01	Excess Deposit				
02	Closing Costs Paid at Closing (J)				$12,800.00
03	Existing Loan(s) Assumed or Taken Subject to				
04	Payoff of First Mortgage Loan				$100,000.00
05	Payoff of Second Mortgage Loan				
06					
07					
08	Seller Credit				$2,500.00
09					
10					
11					
12					
13					
Adjustments for Items Unpaid by Seller					
14	City/Town Taxes	1/1/13	to	4/14/13	$365.04
15	County Taxes		to		
16	Assessments		to		
17					
18					
19					
CALCULATION					
Total Due to Seller at Closing (M)					$180,080.00
Total Due from Seller at Closing (N)					– $115,665.04
Cash ☐ From ☒ To Seller					**$64,414.96**

Additional Information About This Loan

Loan Disclosures

Assumption
If you sell or transfer this property to another person, your lender

☐ will allow, under certain conditions, this person to assume this loan on the original terms.
☒ will not allow assumption of this loan on the original terms.

Demand Feature
Your loan

☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
☒ does not have a demand feature.

Late Payment
If your payment is more than *15* days late, your lender will charge a late fee of *5% of the monthly principal and interest payment.*

Negative Amortization (Increase in Loan Amount)
Under your loan terms, you

☐ are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
☐ may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
☒ do not have a negative amortization feature.

Partial Payments
Your lender

☒ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
☐ does not accept any partial payments.

If this loan is sold, your new lender may have a different policy.

Security Interest
You are granting a security interest in
456 Somewhere Ave., Anytown, ST 12345

You may lose this property if you do not make your payments or satisfy other obligations for this loan.

Escrow Account
For now, your loan

☒ will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.

Escrow		
Escrowed Property Costs over Year 1	$2,473.56	Estimated total amount over year 1 for your escrowed property costs: *Homeowner's Insurance* *Property Taxes*
Non-Escrowed Property Costs over Year 1	$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: *Homeowner's Association Dues* You may have other property costs.
Initial Escrow Payment	$412.25	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	$206.13	The amount included in your total monthly payment.

☐ will not have an escrow account because ☐ you declined it ☐ your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

No Escrow		
Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.
Escrow Waiver Fee		

In the future,
Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

Loan Calculations

Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	$285,803.36
Finance Charge. The dollar amount the loan will cost you.	$118,830.27
Amount Financed. The loan amount available after paying your upfront finance charge.	$162,000.00
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.174%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	69.46%

? **Questions?** If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at **www.consumerfinance.gov/mortgage-closing**

Other Disclosures

Appraisal
If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

Contract Details
See your note and security instrument for information about
- what happens if you fail to make your payments,
- what is a default on the loan,
- situations in which your lender can require early repayment of the loan, and
- the rules for making payments before they are due.

Liability after Foreclosure
If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

☒ state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.

☐ state law does not protect you from liability for the unpaid balance.

Refinance
Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Tax Deductions
If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.

Contact Information

	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name	Ficus Bank		Omega Real Estate Broker Inc.	Alpha Real Estate Broker Co.	Epsilon Title Co.
Address	4321 Random Blvd. Somecity, ST 12340		789 Local Lane Sometown, ST 12345	987 Suburb Ct. Someplace, ST 12340	123 Commerce Pl. Somecity, ST 12344
NMLS ID					
ST License ID			Z765416	Z61456	Z61616
Contact	Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold
Contact NMLS ID	12345				
Contact ST License ID			P16415	P51461	PT1234
Email	joesmith@ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@epsilontitle.com
Phone	123-456-7890		123-555-1717	321-555-7171	987-555-4321

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature   Date   Co-Applicant Signature   Date

Chapter 7 Quiz

1. **Select the type of insurance that protects the lender and insures a clear title to the property.**

   A. Homeowner's Insurance.
   B. Owner's Title Insurance.
   C. Title Insurance.

2. **Select how title insurance is paid for at closing.**

   A. Title insurance is pre-paid by the lender and does not impact the buyer.
   B. A one-time premium is paid by the buyer at the time of closing.
   C. Premium costs are renewed annually and added to the buyer's payment.

3. **Select the best description of Owner's Title Insurance.**

   A. Optional insurance policy that protects the buyer's investment in the property.
   B. Optional insurance that the buyer can purchase within five years of closing.
   C. Required insurance in addition to Title Insurance that protects the lender.

4. **Select the purpose of a walk-through inspection.**

   A. An opportunity to meet the neighbors and inspect the home's exterior.
   B. An opportunity to insure the property is vacated without damage and to note any remaining deficiencies.
   C. An opportunity to confirm that the door keys work properly and that the current occupants are prepared to vacate the property.

5. **Select how a buyer should prepare for closing day.**

   A. Talk with the settlement agent in advance for a final statement of amount due at closing in collected funds.
   B. Arrive 15 minutes prior to settlement with a personal check payable to the settlement agent.
   C. Notify bank prior to settlement that a bank wire may be needed at the time of closing.

6. **A buyer can choose their own attorney or settlement agent to close their mortgage loan.**

   ☐ True ☐ False

7. If a seller is paying costs for the buyer, the seller cannot choose the closing attorney.

☐ True ☐ False

8. The Deed conveys the title for the property to the buyer from the seller.

☐ True ☐ False

9. Joint Tenancy with Right of Survivorship is only available to married couples.

☐ True ☐ False

10. The Deed of Trust spells out terms for securing the debt and allows foreclosure in the event of default.

☐ True ☐ False

11. The Note reflects loan terms and is a promise to pay.

☐ True ☐ False

12. A title search is performed to make certain there is a clear title.

☐ True ☐ False

13. Buyers have to use the seller's closing agent.

☐ True ☐ False

14. The Deed is recorded in the local circuit clerk's office.

☐ True ☐ False

15. The closing disclosure itemizes all of the costs related to the mortgage loan transaction.

☐ True ☐ False

16. The mortgage lender requires the buyer to purchase Default Title Insurance.

☐ True ☐ False

17. You may get a reduced rate for Homeowner's Title Insurance if you purchase it simultaneous to closing.

☐ True ☐ False

18. Closing happens on the date scheduled even if you do not receive the Clear to Close (CTC) from your lender.

☐ True ☐ False

19. The lender must provide the borrower a copy of the Closing Disclosure (CD) at least three business days prior to closing.

☐ True ☐ False

20. Closing costs can be paid with a personal check.

☐ True ☐ False

Answer Key:

1.	C	5.	A	9.	False	13.	False	17.	True
2.	B	6.	True	10.	True	14.	True	18.	False
3.	A	7.	False	11.	True	15.	True	19.	True
4.	B	8.	True	12.	True	16.	True	20.	False

You own a home! Now What?

Chapter 8

Finally, you're a homeowner. You've signed all the papers, closed on your loan and moved into your new house.

You now have a place to call your own and an asset that can potentially grow in value. But along with the benefits of homeownership come new responsibilities and obligations.

In this chapter, you'll learn about:

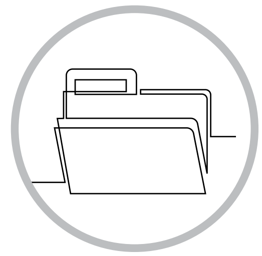
- The importance of financial stability and sound money management.
- How to avoid the pitfalls that could lead to foreclosure.
- Maintenance of your new home.

Keeping Your Good Financial Habits

As you prepared for homeownership, you developed a Spending and Savings Plan and managed your credit. Now that you're a homeowner, these disciplines are even more important. Staying financially fit will enable you to make your monthly mortgage payments on time and continue to meet your other financial obligations.

Pay special attention to:

Record keeping

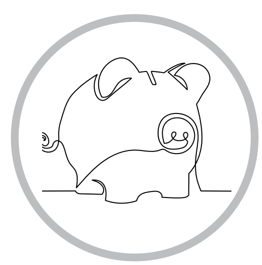


If you haven't already done so, set up a filing system just for your financial obligations. Use it to keep track of your original loan documents, monthly financial obligations and home improvements. This process will help you stay organized throughout the year and will be especially useful when you're preparing to file your taxes.

Spending plan

Remember that Spending and Savings Plan you prepared before you purchased your home? It's time to update it. Make sure your new Spending and Savings Plan includes the additional expenses you have as a homeowner, including your mortgage payment, utilities and home maintenance costs. Continue to update your Spending Plan each month. You will find that your expenses will vary from month to month, and it may be necessary to make adjustments to your spending habits. Each purchase you make should be a thoughtful decision. Remember, every financial decision you make impacts your overall Spending Plan.

Savings plan



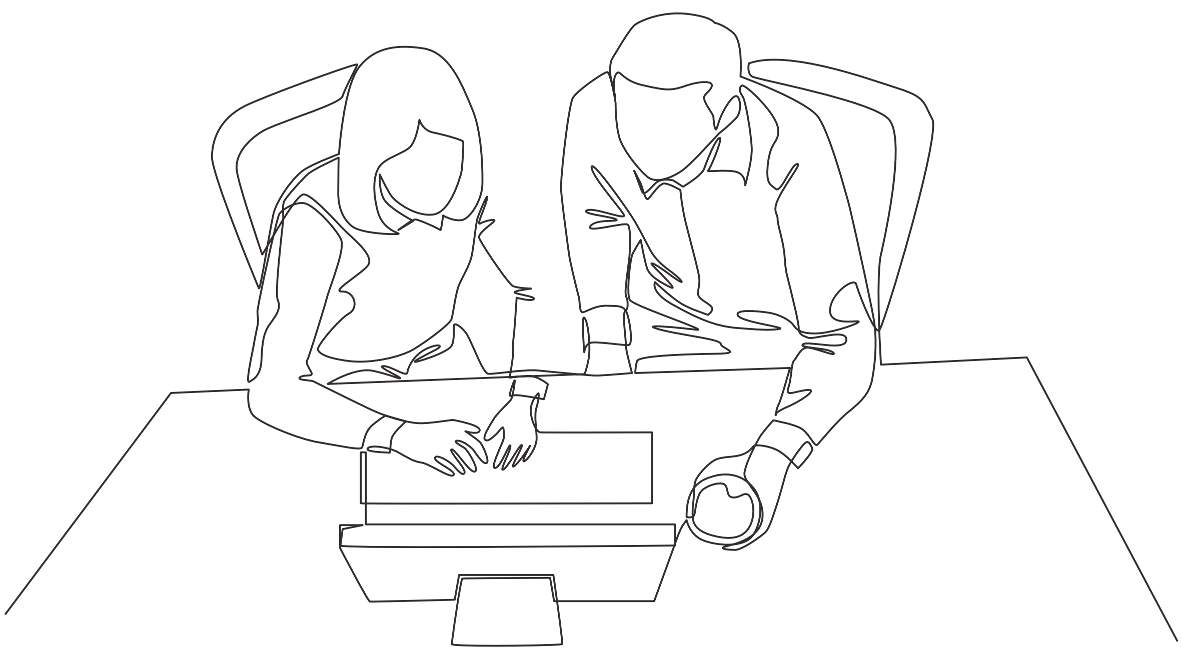
As a homeowner, it's especially important to have a savings plan for long-term expenses and emergencies. Start by considering all the items you need to save for during the year. Don't be caught off guard. For example, we all may face car repairs and maintenance each year. You may want to sit down with your family and plan ahead for your annual expenses. Working together will help you determine how much to set aside each month. A good rule of thumb is to save 1% each year for home maintenance. For example, if you purchased a $200,000 home, you should save $2,000 annually or $167 per month for home maintenance.

Maintain your credit

In order to qualify for your home loan, you may have paid off debt to establish a good credit record. Now maintain your good credit! Be careful not to let your debt creep back up. It's far too easy to accumulate more debt than you can afford. If you do need to borrow money or obtain credit, shop around for the best loan or credit terms and avoid charging major purchases that carry a high interest rate. Better yet, save up for major purchases such as furniture or appliances, and pay for them with cash. Remember, nearly everything you buy on credit has to be paid back with interest.

PRO TIP

One of the things you may need money for is to work on your home. Always remember that home maintenance and home improvements are not the same thing. We will discuss the difference later in this chapter.



How to Prevent Foreclosure

Keeping up your good spending habits should help you maintain your monthly financial obligations, including making your monthly mortgage payments on time. Remember, all mortgage payments are due on the first of each month, and making your payment on time every month is crucial to your financial stability.

GOOD TO KNOW

Even if there's a grace period before you're charged a late fee, your mortgage is considered late when it is paid after the first of the month.

If your family faces a financial difficulty or hardship beyond your control that prevents you from making your mortgage payments, do not avoid the situation. Act quickly! In the state of Virginia, the foreclosure process moves very fast.

The Process of Defaulting on a Mortgage Loan	
1. Default	• Conventional loan: 60-90 days past due. • FHA: 31 days past due.
2. Servicer Contact	• Servicer must make efforts to contact the borrower after 36 days of delinquency.
3. Notice to Contact	• Servicer must send written notice for the borrower to contact the servicer before 45 days of delinquency. • Servicer provides information about housing counselors.
4. Assigned Personnel	• Servicer assigns staff to be available to help delinquent borrowers.
5. Loss Mitigation	• Assigned staff provides borrower with information about loss mitigation or works out options and how to apply. • Servicer communicates status of loss mitigation application.
6. Foreclosure Recommendation	• Servicer explains to borrower the circumstances for referral to foreclosure.
7. Foreclosure Avoidance	• Servicer evaluates borrower for foreclosure avoidance options. • Servicer not required to offer any specific loss mitigation options.

GOOD TO KNOW

Loss mitigation is a process used by mortgage lenders to work with borrowers who are delinquent on their home loans and help them to avoid foreclosure. Through the loss mitigation process, a lender may modify the terms of a home loan. Loss mitigation options may include deed-in-lieu of foreclosure, forbearance, repayment plan, short sale or a loan modification.

Why foreclosure matters

Foreclosure is the legal process by which a property is sold to satisfy a debt. The foreclosure process can be initiated when a homeowner stops making mortgage payments, tax payments, homeowners' association dues or payments on other liens on the property.

Foreclosure can be devastating financially, as well as emotionally. **If your house is foreclosed on, you will be required to move out.** To make matters worse, if your property was worth less than the total amount you owed on the mortgage, then your lender, the mortgage insurer or guarantor could pursue a deficiency judgment against you.

You would not only lose your home, but there would be an additional debt you would owe. Foreclosure or a deficiency judgment can also seriously affect your ability to qualify for credit in the future.

What to Do if You're Facing Financial Hardship:

1. **Call your lender immediately.** If you are unable to make your payments, call and clearly explain your situation. Be prepared to provide financial information and to discuss your circumstances. This information is necessary for your lender to consider any alternatives to foreclosure and determine the best solution for you.

2. **Talk to a HUD (Housing and Urban Development) approved housing counselor.** If you are encountering financial difficulties beyond your control that make it difficult to pay your mortgage, such as a layoff, reduction in income, death or illness in the family or divorce, you should consider seeking financial counseling.

3. **Do not ignore letters and phone calls.** If you have not made your mortgage payment, your lender will contact you by phone or mail. It is extremely important to cooperate and respond to their efforts to contact you. Remember, your mortgage servicer can't tell you what options are available if you do not speak or respond to them.

4. **Stay in your home.** If you abandon your property, you may not qualify for assistance. However, if your health, safety or welfare is threatened, your lender will understand that staying in your home may not be possible.

GOOD TO KNOW

If you choose not to contact your lender and do not respond to their calls or letters, they will have no other alternative but to foreclose on your home.

Working With a Housing Counselor

A HUD-approved housing counseling agency can help you make the right financial decisions, and avoid an expensive mistake! The agencies are valuable resources and frequently have information on services and programs offered by government agencies, as well as private and community organizations. The housing counseling agency may offer credit counseling.

A housing counselor can help you:

- Avoid foreclosure or determine other options if you are behind on your mortgage payments.
- Prevent homelessness if you are at risk of losing your home.
- Get your finances under control with a Spending and Savings Plan.

What does housing counseling cost?

If the counseling is to help you avoid foreclosure or homelessness, the service is free through HUD's Housing Counseling Program.

For all other types of counseling, there may be a reasonable fee; however, fees may be waived for clients who are unable to pay.

You can search for a housing counselor on HUD's website at HUD.gov, or call toll free, 800-569-4287 or TDD 800-877-8339.

Are There Any Alternatives to a Foreclosure?

Yes, there are several possible alternatives if you want to avoid foreclosure. To qualify for any of the options, you must meet certain eligibility criteria to be determined by your lender.

- **Reinstatement (cure).** The easiest way to cure a delinquency is to pay everything that is owed. This would include missed payments, any late fees and any other fees your lender incurred as a result of your delinquency.

- **Repayment plan (special forbearance).** Your lender may be able to arrange a repayment plan based on your financial situation, which could even provide a temporary reduction or suspension of your payments. You might qualify for this option if you have recently experienced an involuntary reduction in income or an increase in living expenses. If so, you would be required to provide information on how you would meet the requirements of a new payment plan.

GOOD TO KNOW

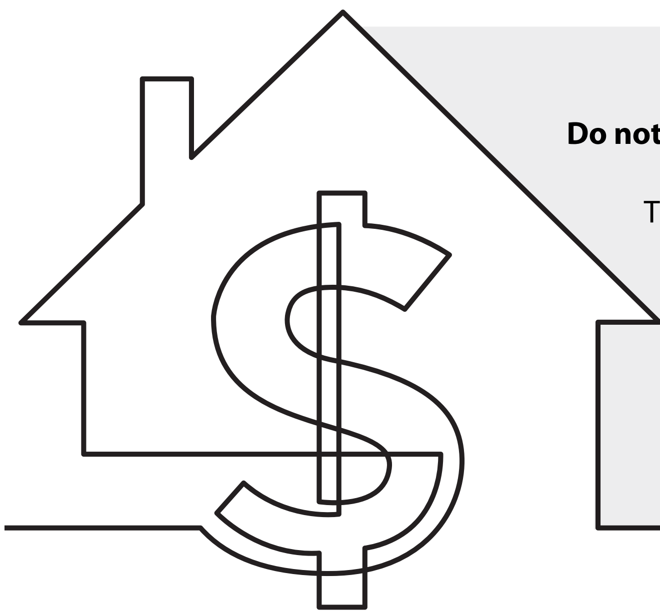
In a forbearance, your lender may reserve the right to resume the foreclosure once the forbearance period expires if the loan has not been brought current or if certain agreed upon conditions are not met.

- **Mortgage modification.** Your lender may be able to modify your mortgage loan. A modification includes changes to the interest rate and the loan terms. You may qualify if you have recovered from a financial hardship, but your net income is less than it was before the default.

- **Partial claim.** This option is only available to homeowners with an FHA mortgage. Your lender may be able to work with you to obtain an interest-free loan from HUD to bring your mortgage payments up-to-date.

- **Short sale.** This will allow you to sell your property, for less than the total due, to pay off your mortgage and avoid foreclosure.

- **Deed-in-lieu of foreclosure**. As a last resort, you may be able to voluntarily "give back" your property to your lender. This won't save your house, but it will help your chances of getting another mortgage loan in the future.



Do not be afraid to contact your lender.

The only way to know if you can qualify for one of these alternatives is to call. They cannot help you if they don't know why you missed a payment.

GOOD TO KNOW

The alternatives available to you and any stipulations would depend on your loan type and what is allowable by your lender.

Beware of Scam Artists

After your mortgage loan has closed, you will probably receive multiple solicitations by mail, phone call, text and email for debt consolidation services, credit cards and second mortgages for home improvements or other projects. Be extremely careful with these solicitations.

For any line of credit or home improvement loan offers you consider, take a look at the total cost of financing by evaluating the interest and terms. If the loan is secured by your property, it means the lender/creditor can foreclose on your home if you miss any payments.

It's a good idea to consult a HUD-approved housing counselor to discuss your options before agreeing to any of these offers. To find a counselor in your area, visit hud.gov or call toll-free, 800-569-4287 or TDD 800-877-8339.

Predatory lending comes in many forms

People can fall victim to predatory lending when a lender loans money to someone with insufficient income to repay it or finances the highest amount possible without regard to the borrower's ability to repay.

Predatory lending happens when lenders hide or inadequately explain fees, costs or rates, or when they charge excessive fees or pack extras into loans such as credit life or disability insurance. Some predatory lenders resort to falsifying information on the loan application or inflating real estate appraisals just to get a loan approved.

PRO TIP

For more about predatory lenders and how to protect yourself, see Chapter 5, "Virginia Fair Housing Law."

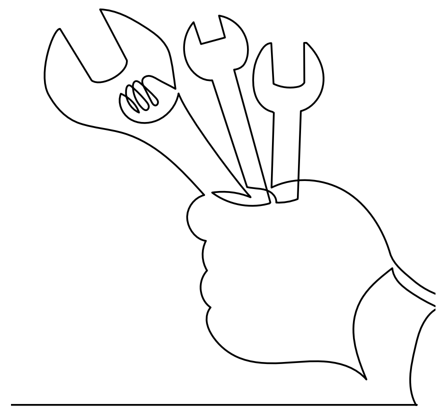
Taking Care of Your Home

Now that you're a homeowner, you are responsible for all those things that were handled by your landlord or maintenance staff in the past.

Remember, keeping your home in good condition will make it more valuable if you should decide to sell it in the future. Routine maintenance and repairs will also help to save on the cost of major repairs in the future.

The Difference Between Maintenance and Improvement

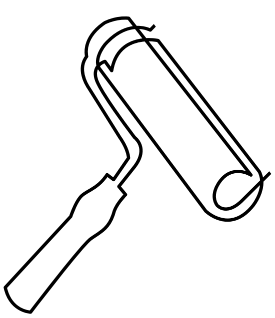
It's important to understand the difference between home maintenance and home improvement:



Home maintenance

This is the routine or seasonal work necessary to keep your home in good working order. It may include small projects, such as caulking the windows to reduce air leaks or changing out your air filters. It can also include larger more expensive items, such as replacing the roof or your HVAC unit. Home maintenance is not optional; it's necessary, and you should plan for it in your savings plan, as discussed earlier in this chapter.

Home improvements



These are the enhancements that might not be necessary, but that would make your home more enjoyable or valuable. Home improvements may include additions to your house or changes to the structure of a room. When thinking about home improvements, you should consider building codes, the total cost of the improvement and how it may impact the resale value of your home. Unlike home maintenance, home improvements are usually optional.

Routine Maintenance Check List:

Home Safety	• Test smoke detector batteries; change batteries regularly. • Check fire extinguishers. • Clean and check exhaust fans.
HVAC	• Replace furnace filters. • Clean vent ducts. • Lubricate blower motor.
Plumbing	• Check under sinks for leaks. • Repair leaky faucets. • Inspect caulking around tubs, showers and sinks. • For basements: Test sump pump for proper operations. • Check appliances such as washer, dishwasher, refrigerator, etc. for leaks.
Water Heater	• Inspect for leaks. • Remove trapped residue from tanks.
Windows & Doors	• Clean windows. • Patch or replace damaged screens. • Re-caulk around windows as needed.
Exterior HVAC	• Clean dirt and dust from AC compressor. • Remove debris away from HVAC unit.
Structure Exterior	• Inspect siding for damage. • Clean downspouts and gutters. • Inspect and clean foundation vents. • Check roof for damage and missing shingles. • Check chimney for cracks and leaks. • Check for damage caused by pests.
Decks & Porches	• Clean and treat for mildew. • Check stairs for loose rails, steps or boards.

PRO TIP

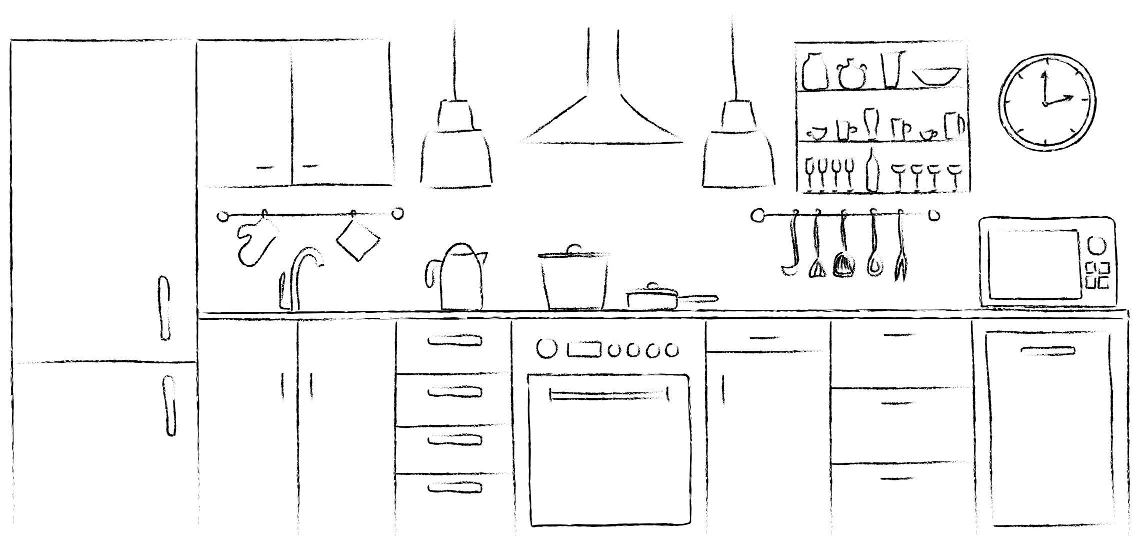
If you're considering a home maintenance or home improvement project, always get three estimates in writing before authorizing any work. If you have trouble with the workmanship or feel you have been taken advantage of, contact the Better Business Bureau for assistance at bbb.org.

Get to Know Your Home

In order to care for your home properly, you should know as much about its systems as possible. If you had a whole-house inspection done before buying, the inspector probably pointed out many potential maintenance items.

Make sure you know where to find the following:

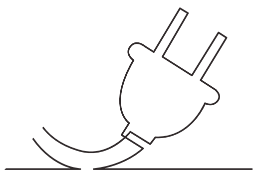
- Fuse or circuit breaker box and main electrical switches.
- Main cut-off valves for water and gas.
- Thermostat for hot water heater.
- Warranties and owner's manuals for appliances.
- Instructions for use of all appliances and systems. (Do not use any appliance if you do not know how to operate it; you may void the warranty if it's used improperly.)
- Contact information for contractors or subcontractors who may have installed systems or provided recent repairs (electricians, plumbers, etc.).



Be Proactive With Preventative Maintenance

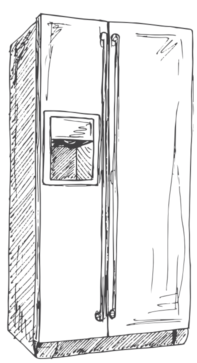
Preventive maintenance could be described as taking action to minimize health and safety risks, limit excessive maintenance issues and ensure the appropriate repair or replacement of your home's operating systems and appliances.

Below is a list of preventive maintenance tasks that should be done regularly.



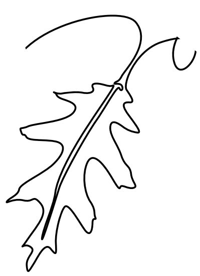
Electricity

- Install Ground Fault Circuit Interrupters (GFCI).
- Test outlets annually.
- Replace faulty wiring immediately.
- Limit the use of extension cords.
- Do not repair with tape.
- Don't mix water and electricity.
- Install child protective devices.
- Cover and tighten electrical outlets.



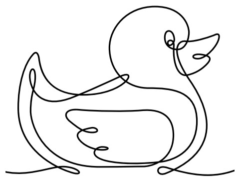
Appliances

- Keep area around appliances clean and clutter-free.
- Check regularly for broken parts.
- Inspect power cords for frayed or corroded wires.
- Unplug small items such as toasters and coffee makers when not in use.



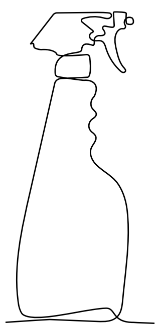
Heating, ventilation and air conditioning

- Inspect filter routinely for cleaning or replacement.
- Clean dirt, leaves and debris from outdoor units (single-family homes).

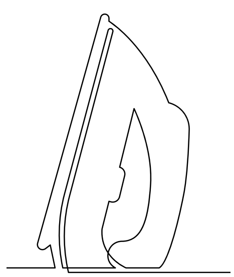


Plumbing

- Clogs are a preventable problem. Never flush or put these items down your drains:
    - Small toys.
    - Disposable diapers.
    - Feminine hygiene products.
    - Toothpaste or soap.
    - Hair.
    - Hot wax.
    - Grease or cooking oil.
    - Food particles.
    - Coffee grounds.
    - Dirt.



- Hazardous and environmental pollutants that should never go into your drains include:
    - Gasoline.
    - Motor oil.
    - Antifreeze.
    - Pesticides.
    - Fertilizers.
    - Paint.



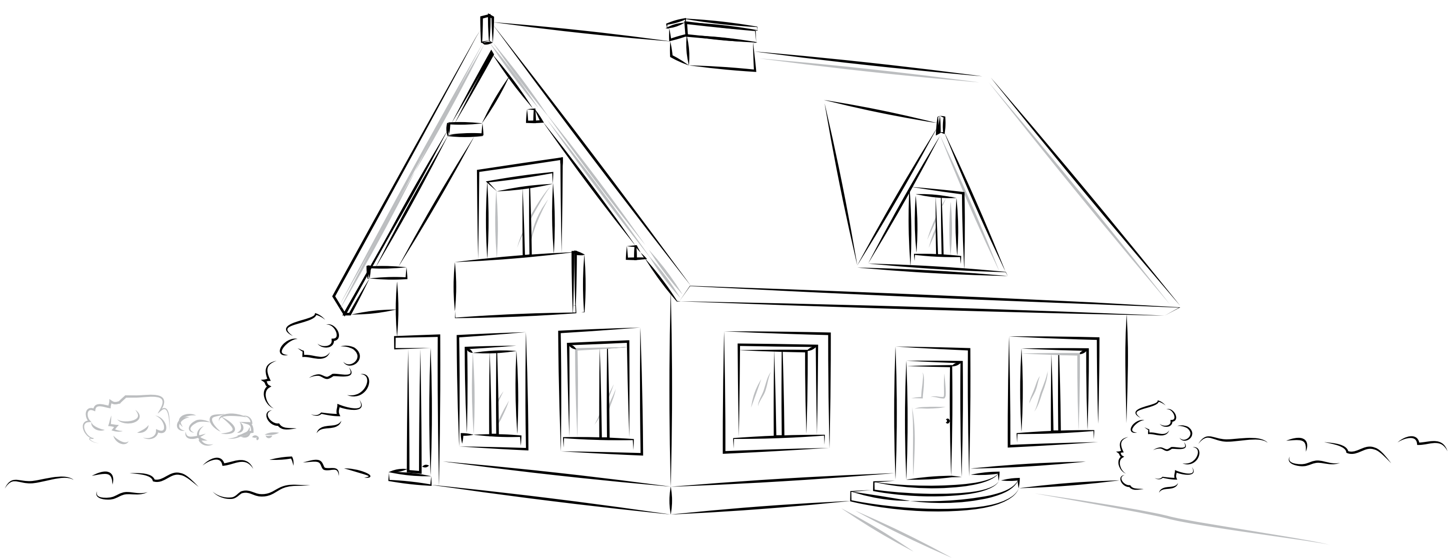
General Tips:

- Practice kitchen safety; never leave anything cooking unattended.
- Never place power cords under carpets.
- Never leave plugged-in items unattended, such as irons and space heaters.
- Shut off space heaters before going to bed; read instructions carefully and place heaters a safe distance from curtains, beds and other furniture.
- Never leave lit items, such as cigarettes or candles, unattended.
- Always grill in open, well ventilated areas.

Protect Your Home From Termites

It's important to keep up with your termite inspections. Many pest control companies offer one-year protection plans for $150 – $400, depending on the size and construction of the house, that will guarantee your home stays termite-free.

If you have this coverage, any problems that may arise will be handled under the terms of your policy and when you sell your home, you won't have any surprises in the form of extensive termite damage.

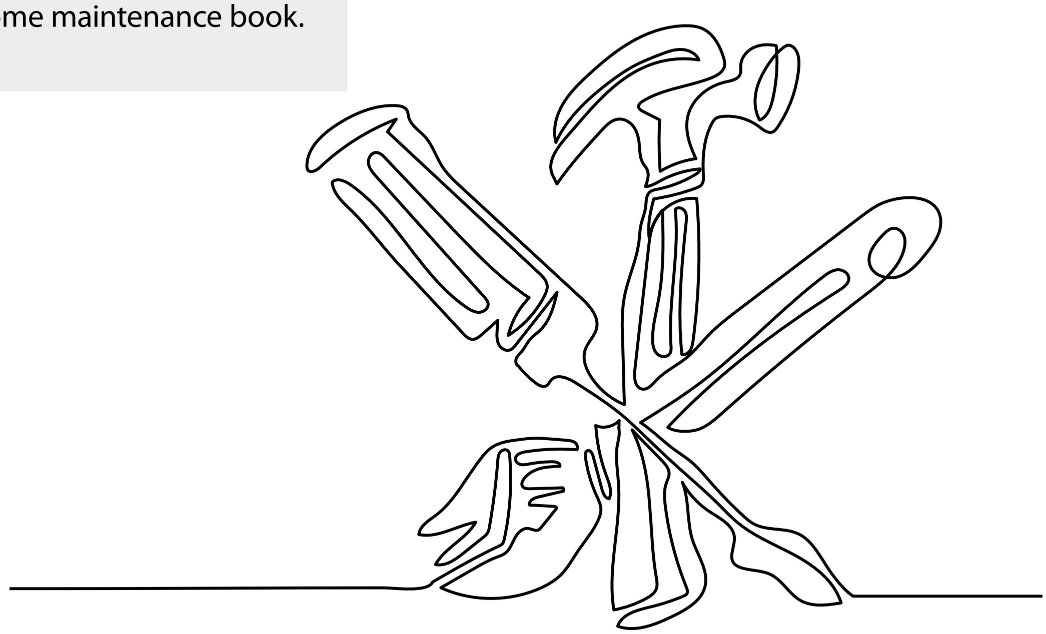


Routine Household Tasks

Earlier in this chapter, we discussed the importance of good record-keeping to help you organize your warranties, manuals, contractor names and maintenance agreements. You should also be prepared to handle some basic maintenance tasks yourself.

Be Sure to Keep the Following Items Handy:

- Fire Extinguisher.
- Flashlight.
- Hammer.
- Pliers.
- Adjustable wrench.
- Saw.
- Screws.
- Nails.
- Screwdrivers (Flat head/Slotted and Phillips).
- Plunger.
- Basic home maintenance book.



Make Sure You're Emergency-Ready

An emergency situation is one that threatens the health and safety of your family, your home, your neighbors and their properties. It is important to make sure that your family's basic needs are being met and that they are safe.

Here are a few emergency preparedness tips:

- Always have a list of emergency numbers readily available.
- Invest in one or more home fire extinguishers.
- Have a first aid kit (ointments, dry sterile dressing, etc.).
- Know the location of emergency shut-off valves and switches (electricity, water, gas, etc.).
- Be familiar with the thermostat on your hot water tank.
- Buy a few flashlights and extra batteries.

PRO TIP

The local Red Cross can provide more information at: redcross.org/prepare/location/home-family/get-kit.

Listed below are common problems and the most likely cause of each.

Problem:		Often a Sign of:
Flickering lights	→	Poor circuit connection.
Frequently blown fuses	→	Overloaded circuits.
Loose fitting plug outlets	→	Poor installation or deterioration.
Drippy faucet	→	Worn washer.
Slow sink/tub drains	→	Hair or debris buildup.
Running toilets	→	Overflow valve, loose flapper chain or seal.
Leaking toilets	→	Seals.
Overflowing toilet	→	Minor or major clog.
Low water pressure	→	Blocked aerator (calcium buildup).
Jammed garbage disposal	→	Food trapped in waste discharge.
Leaking hot water tank	→	Rusted bottom (replacement only).
No hot water	→	Unlit pilot or low temperature setting.
House not cooling	→	Clogged filter, AC low on refrigerant.
Leaky air conditioner (central)	→	Defective drain hose, condensation pump.

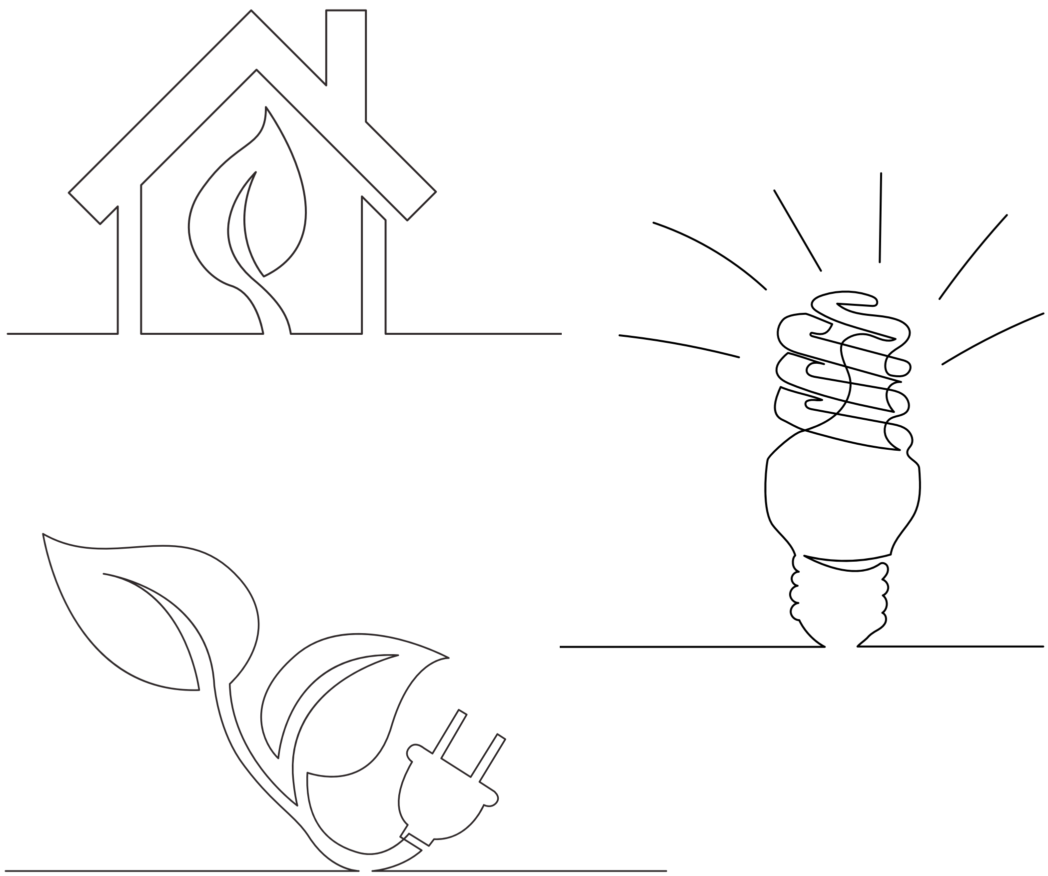
NOTE: Do not attempt repairs unless you are qualified and, if still renting, have authorization from the landlord.

Make Your Home Energy Efficient

Home maintenance also includes making your home energy efficient. The Virginia Cooperative Extension provides a variety of energy savings tips through their "Energy Series."

Information is available on caulking, weather stripping, insulation, moisture control, air conditioning and many other topics that can save energy, as well as money. Visit their website at ext.vt.edu.

For more ideas on saving energy, see Chapter 3 in this book.



Get to Know Your Community

As a homeowner, you now have a vested interest in your community.

Become familiar with the resources and services provided in your area. It's important for your family's health and safety, and to help you maintain your investment in your home.

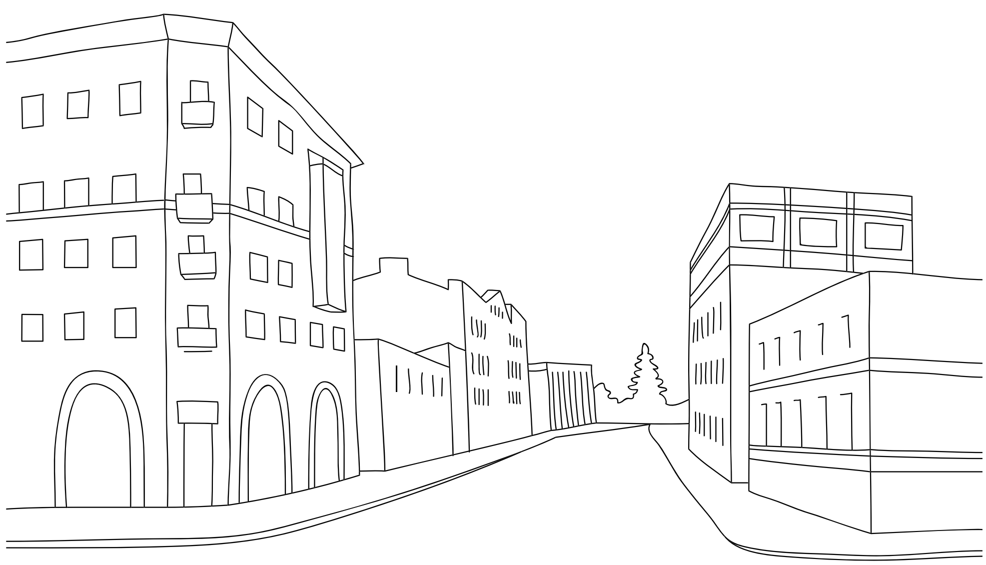
Make sure you know the available city and county services, including:

- Police.
- Fire station.
- Medical center, hospitals, local physicians.
- Emergency facilities.
- Trash pickup.
- Voter registration site.
- DMV branch.

You should also make sure you understand your city or county codes and any regulations concerning occupancy, lawn care and parking.

PRO TIP

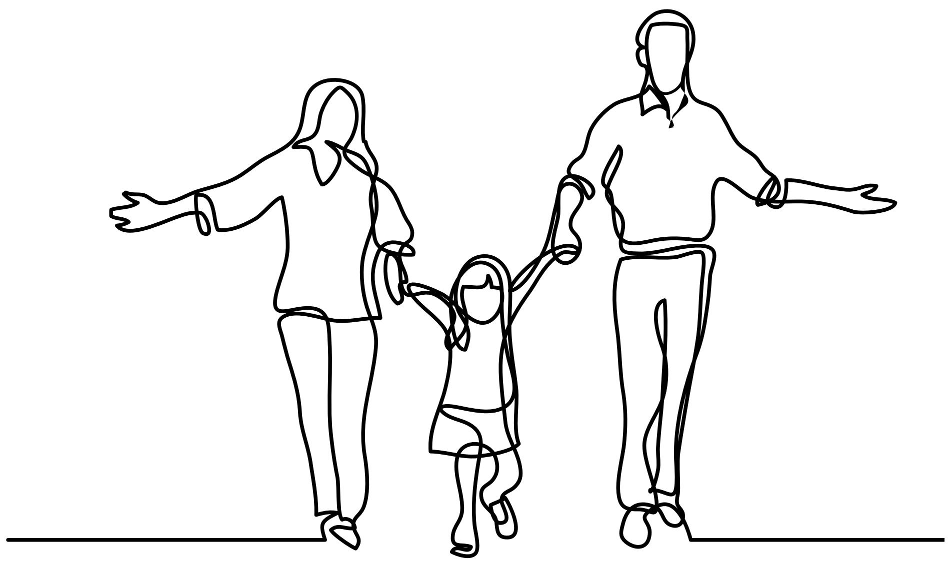
If you live in a Planned Unit Development or pay homeowners' association dues, make sure you fully understand your responsibilities, such as specific requirements about your home's exterior appearance or restrictions on noisy activities.



Enjoy, and Take Care of, Your Big Investment

As you can see, homeownership comes with a lot of new responsibilities. As a homeowner, you'll need to continually monitor your Spending and Savings Plans and manage your credit wisely. You'll also need to plan for, and pay for, the maintenance of your home's systems, structure and appearance.

A house may be the biggest purchase you'll ever make, and taking good care of your investment is essential. By taking this class and working through this manual, you've taken an important step to prepare for the many responsibilities as well as the many joys of being a homeowner.



In this chapter, you learned:

- Why you need to stay on track with your finances.
- How to keep your home energy efficient.
- How important maintenance is for your new home.

Chapter 8 Quiz

1. **Select the reasons a foreclosure can occur.**

   A. The homeowner is 15 days late on a mortgage payment.
   B. The mortgage lender wants to sell the property for a profit.
   C. The homeowner stops making mortgage payments, tax payments, homeowner's association dues or payments on other property liens.

2. **Select the steps to take if you are unable to pay your mortgage.**

   A. Vacate your property and allow the lender to handle any problems.
   B. Contact your lender, talk with a reputable housing counselor, respond to letters and calls and remain in the home.
   C. Post a "No Trespassing" sign on the property to avoid any lender inspections.

3. **Select alternatives to foreclosure that a borrower may qualify for.**

   A. Reinstatement, special forbearance, mortgage modification or pre-foreclosure sale.
   B. Skipping payments until other debts have been paid off.
   C. Agreeing to make a payment when you (the borrower) receive your next paycheck.

4. **Select actions to take when receiving phone and mail solicitations concerning debt.**

   A. Contact a reputable housing counselor to discuss offers and always read the fine print.
   B. Consider offers as opportunities to consolidate all debt into one payment, even though the rate may be higher.
   C. Provide false information to the lender in order to qualify for the offer.

5. **What can cause a foreclosure?**

   A. Homeowner is 15 days late on a mortgage payment.
   B. Mortgage lender wants to sell the property for a profit.
   C. Homeowner stops making mortgage payments, tax payments, payments for homeowner's association dues or payments on other property liens.

6. **Homeowners do not need to continue to maintain Spending and Savings Plans once they are settled in their new homes.**

   ☐ True ☐ False

7. **A good record keeping system will assist with managing financial obligations and when preparing to file taxes.**

   ☐ True ☐ False

8. **An active Savings Plan will help to pay for future home maintenance needs and to avoid large purchases on credit.**

   ☐ True ☐ False

9. **Home maintenance is the routine work that is necessary to keep your home in good working order.**

   ☐ True ☐ False

10. **Home improvements are usually optional work that add to the value of the home.**

    ☐ True ☐ False

11. **Since a homeowner can contact a contractor for maintenance, it is not necessary to understand potential maintenance items in the home.**

    ☐ True ☐ False

12. **A termite inspection and contract are unnecessary expenses for a new homeowner.**

    ☐ True ☐ False

13. **A homeowner should always have a supply of handy items to handle basic maintenance needs.**

    ☐ True ☐ False

14. Home maintenance includes making your home energy efficient.

☐ True ☐ False

15. A homeowner should know about the services and resources in their community.

☐ True ☐ False

Answer Key:

1.	C	5.	C	9.	True	13.	True
2.	B	6.	False	10.	True	14.	True
3.	A	7.	True	11.	False	15.	True
4.	A	8.	True	12.	False		

Glossary of Mortgage Terms

Chapter 9

A

Abstract (or search) of title
A brief history of the legal ownership of a piece of property.

Acceleration clause
A clause in a deed of trust or mortgage which accelerates the time when the debt becomes due. For example, most deeds of trust or mortgages contain a provision that the note shall become due immediately upon the sale or transfer of title of land or upon failure to pay an installment of principal or interest.

Adjustable-rate mortgage (ARM)
A mortgage with an interest rate that can be increased or decreased by the lender at certain points during the term of the loan, depending on various factors. The interest rate applied on the outstanding balance varies throughout the life of the loan.

Amortization
Repayment of mortgage debt with equal periodic payments of both principal and interest, calculated to retire the obligation at the end of a fixed period of time.

Annual mortgage statement
Report to the mortgagor of taxes and interest paid during the year and remaining principal balance.

Annual percentage rate (APR)
The finance charge, expressed as an annual rate, that is paid on a loan.

Applicant
One who applies for a real estate loan (the prospective mortgagor).

Application
A form used to record pertinent information concerning a prospective mortgagor (the borrower). This form is used for evaluating the applicant in terms of his or her credit standing and history, earning potential, ability to pay the real estate loan and description of the property to be pledged as security.

Appraisal
A formal written estimate of the current market value of a home. It also refers to the process by which a value estimate is obtained.

B

Back-end ratio
Indicates what portion of a borrower's monthly income goes toward paying monthly debt obligations, such as car loans, credit cards, etc.

Borrower
One who receives funds in the form of a loan with the obligation of repaying the loan in full with interest.

Broker
Owns the real estate agency and is ultimately responsible for all transactions.

Business day (loan estimate)
Any day that the creditor's offices are open to the public.

Business day (other purposes — does not include loan estimate)
All calendar days except Sunday and the legal public holidays.

Buyer-broker agreement
An exclusive agreement that outlines the duties and obligations of both agent and buyer, including agency relationships, fees including commissions, date of termination and scope of duty.

C

Cancellation clause
A clause in a contract or lease whereby either one of the parties are permitted to terminate the contract or lease upon the occurrence of specific conditions set forth in the clause. For example, if the buyers are not certain whether they can secure a mortgage, they would insist on this clause to protect themselves in the event a mortgage is not secured.

Certificate of title
A document stating the name of the legal owner of a house, which often furnishes a legal description of the property.

Certified housing counselor
A trained professional who educates consumers about buying, financing, maintaining and protecting their home.

Closing
The delivery of a deed, financial adjustments, the signing of notes and the disbursement of funds necessary to consummate a sale or loan transaction.

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

Closing disclosure
A disclosure to help consumers understand all of the costs of the purchase transaction. The disclosure must be provided to the consumer three business days before they close on the loan.

Collected funds
The financial instruments, such as a check or wire transfer, offered at the time of settlement that is as good as cash.

Commission
The percentage of a home's sale price that is paid to the seller's broker at loan closing.

Comparative market analysis
A report that provides data on recently-sold properties in the surrounding area that are similar in size, features, construction, etc., to the property you're considering.

Condominium association
An association of unit owners in a condominium building. They elect the board of directors, who handles the maintenance and repair of common areas, disputes among unit owners, enforcement of the community rules and regulations and condominium fees.

Consumer Financial Protection Bureau (CFPB)
Congress established the CFPB in 2011 to protect consumers by carrying out federal consumer financial laws. The CFPB writes rules, supervises companies and enforces federal consumer financial protection laws; restricts unfair, deceptive or abusive acts or practices; takes consumer complaints; promotes financial education; researches consumer behavior; monitors financial markets for new risks to consumers; enforces laws that outlaw discrimination and other unfair treatment in consumer finance.

Contingencies
Conditional events that must happen before the loan can be closed.

Contract
An agreement between two parties to do or not do certain things for a legal consideration. To be enforceable, contracts must be in writing and must include a consideration (price and terms), a valid description, place and date of delivery and all terms and clauses that were agreed upon.

Conventional financing
Mortgage financing that is not insured or guaranteed by a government agency, such as HUD/FHA, VA or RHS.

Credit report
A report to a prospective lender on the credit standing of a prospective borrower, used to aid in the determination of creditworthiness.

Credit score
A number from 300 to 850 that represents the risk of lending money to a borrower.

D

Debt-to-income ratio
The ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debts is divided by his or her gross monthly income. Also known as the back-end ratio.

Deed
A legal document that conveys the title from the seller to the buyer, is recorded in the local circuit clerk's office and is prepared by the seller's attorney or settlement agent.

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

Deed of Trust Note
A lien against your house held by the lender that secures payment of the note, and spells out what happens should the terms of the note not be met.

Deficiency judgment
A lien against your home from a creditor that can be turned into a foreclosure.

Delinquency
Failure of a borrower to make timely payments under a loan agreement.

Discount points
The upfront interest paid as part of closing costs. One point is equal to 1% of the loan amount.

Down payment
The difference between the sale price of real estate and the mortgage amount.

E

Earnest money deposit (EMD)
The deposit money given to the sellers by the buyers to show that they are serious about buying the house. This money is applied to the down payment if the contract is accepted.

Energy Efficient Mortgage (EEM)
A "green" mortgage that gives the borrower the opportunity to finance cost-effective, energy-saving improvements as part of a single mortgage, and stretch debt-to-income qualifying ratios on the loan.

Escrow Account
A trust account held by the lender or servicer in the borrower's name to pay the real estate taxes and homeowner's/hazard insurance.

Equity
The difference between the value of a home and the amount still owed on the mortgage.

F

Federal Housing Administration (FHA)
A federal agency within the Department of Housing and Urban Development (HUD) that provides mortgage insurance for residential mortgages and sets standards for construction and underwriting.

Fixed-interest loan
A type of loan in which the interest rate remains the same for the life of the loan.

Foreclosure
A legal procedure in which a mortgaged property is sold to pay the outstanding debt in case of default.

Fraud alert
Placed on your profile by credit reporting agencies, at your request, to make it more difficult for someone else to get credit in your name. It alerts creditors to follow certain procedures to protect you.

Front-end ratio
A ratio that indicates what portion of a borrower's income is allocated to mortgage payments. It is calculated as housing expenses, such as mortgage payments, property taxes, etc. Also known as the housing ratio.

G

Gross monthly income
The total amount the borrower earns per month before any expenses are deducted.

H

Homeowners association (HOA)
An organization of homeowners of a particular subdivision that sets rules and regulations for a community and provides a common basis for preserving, maintaining and enhancing their homes and property.

Homeowners insurance
A policy insuring against multiple perils, commonly called a package policy, and made available to owners of private dwellings. There are wide variations in the coverage of such policies, which generally insure the dwelling and its contents.

Home warranty
A warranty that can include appliances, heating and cooling systems, electrical and plumbing systems, etc., and provides repairs or replacement of warranted items that malfunction during the coverage period.

HUD
Department of Housing and Urban Development, a federal government agency.

J

Joint tenancy
The ownership of real estate for life by two or more persons, each having an undivided interest. If one party dies, the survivors automatically receive his or her interest in the property.

Jumbo loans
Conventional loans that have non-conforming loan limits and the home price exceeds federal loan limits. Jumbo loans are not eligible to be purchased or guaranteed by Fannie Mae or Freddie Mac.

L

Loan estimate
A disclosure to help consumers understand the key features, costs and risks of a mortgage loan. The disclosure must be provided to consumers no later than three business days after the loan application is submitted.

Lender or loan originator
The person responsible for collecting all your financial information and making sure your loan application is ready for review.

Loan processor
Handles the processing of the loan, and is responsible for getting together all the necessary documentation for the files, such as ordering the appraisal, and making sure all steps are followed.

M

Market value
The highest price that a buyer and the lowest price that a seller will accept, neither one being compelled to buy or sell.

Maturity date
The date on which a mortgage indebtedness is completed if paid in accordance with the terms of the note.

Mortgage
A lien against a borrower's house held by the lender. It secures payment of the note, and spells out what happens should the terms of the note not be met. Specifically, it allows the lender to accelerate the debt and foreclose on the property in the event of default. (See also: Deed of Trust.)

Mortgage Credit Certificate (MCC)
A dollar-for-dollar credit against an eligible homebuyer's federal income tax liability. It is equal to 20 percent of the annual mortgage interest paid for the life of the buyer's mortgage, as long as the buyer lives in the home.

Mortgage discount points
Points are a one-time charge made by a lending institution. A point is equal to 1% of the loan amount.

Mortgage insurance
A policy that allows mortgage lenders to recover part of their financial losses if a borrower defaults on a loan.

Mortgage Insurance Premium (MIP)
An upfront premium of 1% of the loan amount, in addition to the monthly premium. MIP can be financed into the loan.

Multiple Listing Service (MLS)
A computer database of properties available for sale.

N

Non-public information
An individual's first name or first initial and last name linked with additional personal elements that include, but are not limited to: (1) Social Security number; (2) driver's license number or state ID card number; or (3) account number or credit or debit card number, in combination with any access code or password that would permit access to an individual's financial account.

Note
The borrower's promise to pay. The note spells out terms including loan amount, date on which payments must be made, interest rate, term, late payment penalties, prepayment and default procedures.

O

Origination fee
The lender's fee charged to a borrower to prepare documents, make credit checks, inspect and sometimes appraise a property. Usually this is equal to 1% of the loan amount.

Owner's title insurance
A policy, usually issued by a title insurance company, to protect the homeowner by ensuring that the property being purchased is free from all defects, liens and encumbrances.

P

Per diem interest
Daily interest adjustment calculated from the date your loan closes to the end of that month.

PICA (Property Inspection Contingency Addendum)
An inspection contingency that allows the buyer of real estate to opt out of a purchase agreement if they should find material defects in the property.

PICRA (Property Inspection Contingency Removal Addendum)
Contains a list of repairs or items the buyer would like seller to address in order for the inspection contingency to be removed.

PITI
Principal, interest, taxes and insurance. Also called monthly housing expense.

Pre-approval
Comes from your lender and is determined after a review of your income, employment and other relevant information. It's also a great negotiating tool when submitting an offer on a house.

Pre-approved loan amount
The amount of money a lender has approved to loan, based on verification of income.

Predatory lending
Unfair or deceptive practices, such as balloon payments and loan flipping, that negatively impact the borrower.

Prepaid expenses
The initial deposit at the time of closing for taxes and hazard insurance and the subsequent monthly deposits made to the lender for that purpose.

Prepayment
The buyer may be permitted to pay off the mortgage before maturity without penalty. At times, buyers may decide to refinance at a lower rate or to fully pay the mortgage before it is due.

Pre-qualification
An estimate of a borrower's purchasing power based on a verbal statement of their income and debt level.

Principal
The original balance of money lent, excluding interest. Also, the remaining balance of a loan, excluding interest.

Private Mortgage Insurance (PMI)
Insurance written by a private company protecting the mortgage lender against financial loss occasioned by a borrower defaulting on the mortgage.

R

Rate lock
Also known as "locking in." Guarantees a specific interest rate for a certain period of time.

Ratified contract
When a purchase offer is signed by both the buyer and the seller and becomes a legally binding agreement.

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

REALTOR®
A person licensed to sell and/or lease real property, acting as an agent for others, and who is a member of a local real estate board affiliated with the National Association of Realtors (NAR). REALTOR® is a registered trademark of the NAR.

Remediation limit
A dollar amount in repairs, written in the purchase contract, that the seller has agreed to repair.

Rural development loans
Mortgage loans that require a Guarantee Fee of 3.5% of the loan amount. This fee can be financed.

S

Sale contract
A written agreement between the buyer and the seller stating the terms and conditions of a sale or exchange of property.

Secured credit
A loan that is backed by collateral to guarantee loan repayment.

Seller disclosure
A legally-required form in which the seller must disclose any known defects of the home.

Settlement
The closing of a mortgage loan.

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

T

TILA-RESPA Integrated Disclosures Rule (TRID)
The Consumer Financial Protection Bureau (CFPB) rule which integrated previous consumer disclosures. The rule provides details on how the new forms (loan estimate and closing disclosure) are to be filled out and used.

Title
Written evidence of the right to or ownership in property. In the case of real estate, the documentary evidence of ownership is the title deed that specifies in whom the legal estate is vested and the history of ownership and transfers. Title may be acquired through purchase, inheritance, gift or foreclosure of a mortgage.

Title insurance
A policy, usually issued by a title insurance company, which insures a homebuyer against errors in the title search. The cost of the policy is usually a function of the value of the property and is often borne by the purchaser and/or seller.

Title search
An examination of public records, laws and court decisions to ensure that no one except the seller has a valid claim to the property, and to disclose past and current facts regarding ownership of the property.

Truth-in-Lending Act
A federal law requiring disclosure of the annual percentage rate to homebuyers shortly after they apply for the loan.

Total Interest Payment (TIP)
The total amount of interest that the consumer will pay over the loan term, expressed as a percentage of the loan amount.

U

Underwriter
The person who reviews all the documentation in a loan application and gives the final loan approval.

Underwriting
The decision for whether to make a loan to a potential homebuyer based on credit, employment, assets and other factors, and the matching of this risk to an appropriate rate and term or loan amount.

Unsecured credit
A loan that is not backed by collateral.

USDA Rural Development
This federal agency provides financing to farmers and other qualified borrowers who are unable to obtain loans elsewhere.

V

VA loan
A long-term, low- or no down payment loan guaranteed by the Department of Veterans Affairs (VA). Restricted to individuals qualified by military service or other entitlement.

Verification of Deposit (VOD)
A form that requests and secures verifications of amounts on deposit at financial institutions. When a depository institution is also the applicant's creditor, the VOD verifies the obligation.

Verification of Employment
A form that requests and secures documentation of a mortgage applicant's work history and/or occupation to assist in the lender's credit investigation.

W

Written list of service providers
A disclosure that provides consumers with service providers the borrower can shop for. This disclosure lists at least one available provider per service and includes the type of service, estimated cost and contact information for the provider. The document also states that the borrower can select any of the providers listed or choose a different provider — one not included on the list.

601 South Belvidere Street
Richmond, VA 23220

VHDA Main Number	877-VHDA-123
Southwest Virginia Office	800-447-5145
Español	877-843-2123
Virginia Relay Partner	711 (in Virginia) 800-828-1140
Website	vhda.com

When homes are affordable and accessible to jobs, good schools and transportation, everyone benefits. Individual lives are improved and communities as a whole grow stronger. VHDA was created in 1972 by the General Assembly to help Virginians attain quality, affordable housing. We carry out this mission by working in public-private partnerships with local governments, community service organizations, lenders, Realtors, developers and many others. We provide mortgages for first-time homebuyers, as well as financing for apartment communities and neighborhood revitalization efforts. We offer free homebuyer classes, support housing counseling, and help people with disabilities and the elderly make their homes more livable. We also administer the federal Housing Choice Voucher and Housing Credit programs in Virginia. VHDA is self-supporting and receives no state taxpayer dollars to fund our programs. Instead, we raise money in the capital markets, and we contribute a significant portion of our net revenues each year to help meet Virginia's most difficult housing needs.

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