

Homebuyer Workshop Handbook



TENANTS TO HOMEOWNERS, INC

TTH

CREATING STABILITY
THROUGH PERMANENTLY
AFFORDABLE HOUSING



Lawrence
Habitat
for Humanity®



Compiled by Tenants to Homeowners, Lawrence Habitat for Humanity, and Lawrence Douglas County Housing Authority as a public resource and reference to accompany workshop presentations.

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Fair Housing Act (Title VIII of the Civil Rights Act of 1968)

The Civil Rights Act of 1968 is a landmark bill in the United States signed into law by United States President Lyndon B. Johnson during the Martin Luther King Jr. assassination riots.

Titles VIII and IX are commonly known as the Fair Housing Act, which was meant as a follow-up to the Civil Rights Act of 1964 (this is different legislation than the Housing and Urban Development Act of 1968, which expanded housing funding programs). While the Civil Rights Act of 1866 prohibited discrimination in housing, there were no federal enforcement provisions. The 1968 act expanded on previous acts and prohibited discrimination concerning the sale, rental, and financing of housing based on race, religion, national origin, and since 1974, sex. The law was expanded in 1988 to protect people with disabilities and families with children. Pregnant women are also protected from illegal discrimination because they have been given familial status with their unborn child as the other family member. Victims of discrimination may use both the 1968 act and the 1866 act's section 1983 to seek redress. The 1968 act provides for federal solutions while the 1866 act provides for private solutions (i.e., civil suits).

Title VIII of the Civil Rights Act of 1968 is commonly referred to as the Fair Housing Act of 1968. Since its inception, its protections have been expanded significantly by amendment. The Office of Fair Housing and Equal Opportunity within the U.S. Department of Housing and Urban Development is charged with administering and enforcing this law.

The Civil Rights Act of 1968 prohibited the following forms of housing discrimination:

- Refusal to sell or rent a dwelling to any person because of their race, color, religion or national origin. Discrimination on the basis of sex was added in 1974, and people with disabilities and families with children were added to the list of protected classes in 1988.
- Discrimination against a person in the terms, conditions or privilege of the sale or rental of a dwelling.
- Advertising the sale or rental of a dwelling indicating preference of discrimination based on race, color, religion or national origin. This provision was also amended to include sex, disability, and familial status.
- Coercing, threatening, intimidating, or interfering with a person's enjoyment or exercise of housing rights based on discriminatory reasons or retaliating against a person or organization that aids or encourages the exercise or enjoyment of [fair housing] rights.
- Neglecting maintenance and repairs of the units rented by people based on race, religion, sex, or any other discriminatory demographic.
- Restricting access to services and amenities on the basis of the renter's race, gender, religion, or nationality.
- In 2012, the United States Department of Housing and Urban Development's Office of Fair Housing and Equal Opportunity issued a regulation prohibiting LGBT discrimination in federally assisted housing programs. The Supreme Court ruled in 2020 that discrimination on the basis of "sex" includes discrimination on the basis of sexual orientation and gender identity. It was not until February 2021 that Housing and Urban Development issued a rule change under President Joe Biden to implement this decision. In addition, many states, cities and towns have passed laws prohibiting discrimination in housing based on sexual orientation and gender identity.

https://en.wikipedia.org/wiki/Civil_Rights_Act_of_1968#Title_VIII%E2%80%94Fair_Housing

Tenants to Homeowners (Lawrence Community Housing Trust)

Becoming a Lawrence Community Trust Homeowner

Start Here! Contact Ashley, Homebuyer Program Manager, 785-760-0469 and express your interest. You'll have a conversation about the program, your financial situation, and your housing needs. This helps to determine how TTH can best support you in the path to homeownership. Be aware that it may be necessary to schedule a time for a call back so Jasmine can give you their time and full attention.

Next Steps. You will need to complete and provide documentation for:

Homebuyer Education

Our Homebuyer Workshops include information on the program and general information about purchasing and owning a home: www.tenants-to-homeowners.org/homebuyer-workshop.

Pre-qualifying session with TTH Homebuyer Program Manager.

Purchasing a home through TTH requires that you are income eligible, this step is where we determine that. We will calculate your annual gross income (AGI) using documentation of all income and assets for adults in your household. Income eligibility limits change annually in accordance with HUD guidelines. Current limits available here: tenants-to-homeowners.org/eligibility-requirements/

Budget Counseling with HCCI

Call Housing and Credit Counseling, Inc. (HCCI) at 800.383.0217 to schedule a free budget counseling session. Visit housingandcredit.org for more information.

We require this additional step because sometimes what we see as affordable a lender approves you for don't match up with your personal budget. This step should help you determine the amount of a house payment that is truly affordable and comfortable for you.

Pre-approval with a Participating Lender.

After you have pre-qualified, contact a participating lender, provide them with your prequalification paperwork, and ask if you can be pre-approved for a loan. The lender will request documentation to verify your income, debts, and credit to determine whether you can be pre-approved for a loan and for what amount.

✗ If you are not pre-approved, the lender will be able to tell you why and you can use that information to set goals on your path to homeownership.

✓ If you are pre-approved, you will be provided an official pre-approval letter showing how much you can finance. This letter needs to be on file at TTH to enter into the application pool.

Note: TTH program eligibility does not guarantee pre-approval and our income calculations may not match lender calculations. Your income, debts, and credit score will be reviewed again when you are under contract to purchase a home.

Purchasing a home

Due to limited supply, there may be no homes immediately available. In this case, you will be placed in a waiting pool upon receiving pre-approval.

- ✗ The waiting pool is NOT a waiting list.
- ✗ TTH cannot guarantee that you will be able to purchase a home within any specific timeline. Resales, funding, construction timelines, and housing needs of applicants are all variables that we cannot accurately predict or control.
- ✓ TTH will show you homes within your budget in accordance with our homebuyer selection policy.

Once you are shown a home you want to purchase – you sign a contract!

- Contracts are usually signed about 30 days before closing (Closing is when your loan is finalized and you take possession of your new home.)
- Once under contract you will need to sign the ground lease and other required documents, order an inspection, shop for homeowners' insurance, work with your lender to finalize your loan, set your utilities to switch over, and get ready to move into your new home.
- TTH staff will advise and support you throughout the transaction process.

Tenants to Homeowners, Inc.'s Lawrence Community Housing Trust is a nonprofit housing developer that utilizes federal, state, and local funding to create and maintain affordable housing. Although we have "Lawrence" in our name we have recently expanded our work into Baldwin City & Eudora. Program rules and requirements apply to all Housing Trust homes regardless of location.

This document is intended as a guide; steps outlined are not necessarily all inclusive and are subject to change. Applicants will be informed of all required steps during the application process.

This document was last updated on 1.13.25 by Ashley, Homebuyer Program Manager

List of participating lenders will be provided at pre-qualifying session.

Lawrence Community Housing Trust Homebuyer Selection Policy

Lawrence Community Housing Trust properties have been developed and supported with funding from a variety of sources, which places certain restrictions on the property that Tenants to Homeowners is required to comply with.

Program Eligibility: Applicants must be income eligible, complete all application steps, and provide documentation of completion to TTH staff. If an applicant is deemed ineligible, they will be notified and given information on any other housing programs for which they may be eligible.

Applicants determined to be eligible will be held in an Eligible Prospective Buyer Pool and selected for available housing based on the following factors:

Pre-approval for financing from LCHT lender: Qualified applicants are accepted in the order in which they receive pre-approval with adequate financing and make their interest known to TTH, Inc. that they want to purchase a specific home from TTH, Inc.

Adequacy of Current Housing: Priority may be given to qualified applicants who are being involuntarily displaced, are extremely rent burdened (paying more than half their annual income for rent), are currently occupying sub-standard housing, or have accessible housing needs not met by their current rental situation.

Household Size: The size of the applicant household must be appropriate for the number of bedrooms in the home that the applicant is applying for. For example: If a 3-bedroom unit is available 3 or 4 person households will be considered before 1 or 2 person households in the applicant pool. "Right-sizing" housing in this way allows us to best serve our community with limited housing stock.

Priority Target Groups: Some homes may be targeted to serve people with special needs or may give preference to certain groups as required by subsidy and funding requirements.

Fair Housing: Homebuyer selection will be made without regard to race, color, national origin, sex, religion, familial status, sexual orientation, or physical and/or mental disability.



Lawrence Community Housing Trust Income Guidelines

Add the annual gross (before-taxes) income of all adults in your household. If that total is less than or equal to the number below your household size, then you are income-eligible for the Lawrence Community Housing Trust Program.

Household Size	1	2	3	4	5	6
Max. Annual Gross Income*	\$57,150	\$65,300	\$73,450	\$81,600	\$88,150	\$94,700

U.S. Department of Housing and Urban Development (HUD)
2022 Adjusted HOME Income Limits, 80% of Annual Median Income

Kansas Housing Resources Corporation (KHRC) Moderate Income Housing (MIH) projects require a minimum income of 60% AMI for Kansas in 2020. Our projects in Baldwin City and Eudora are funded with KHRC MIH funds. If your total annual gross (before taxes) falls in the range below, you are eligible to purchase one of our Baldwin City or Eudora homes through the Lawrence Community Housing Trust Program.

Household Size	1	2	3	4	5	6
Min. Annual Gross Income	\$36,360	\$41,580	\$46,740	\$51,960	\$56,100	\$60,300
Max. Annual Gross Income*	\$57,150	\$65,300	\$73,450	\$81,600	\$88,150	\$94,700

*Income guidelines are recalculated annually based on HUD Annual Median Income figures. Please check current guidelines with Tenants to Homeowners at time of application.

Lawrence Habitat for Humanity

Habitat for Humanity is a nonprofit organization that helps families build and improve places to call home. Lawrence programs include:

- **Homeownership Program:** Families complete a selection process to build and own a home
- **Home Repair Program:** For critical repairs and Aging in Place
- **Pathways to Homeownership Program:** Prepares families to become homeowners and go through the application process

Homeownership Program

Families who are selected to buy a home must:

- Meet eligibility criteria.
- Perform sweat-equity hours.
- Attend workshops and classes.
- Pay \$1,200 in closing costs.
- Purchase homeowners insurance.
- Arrange for all utilities and pay any required deposits.

Selection criteria:

1. Ability to pay
 - Legal, stable income
 - Income falls within income guidelines
 - Good credit history (640+)
 - The family's income is adequate to make the monthly principal, interest, tax, and insurance payments while also meeting their other debt and living expenses.
2. Need
 - The family is cost burdened (spending 30% or more on housing)
 - Current housing is unsafe, and/or overcrowded
3. Willingness to partner
 - Sweat equity
 - Workshop attendance
 - Live and/or work in Douglas or Jefferson County for one year prior to application

Income Guidelines

Income must be between 30-60% of the HUD Median Income for the Lawrence area or less than 80% AMI for Eudora, adjusted for family size.

Pathways to Homeownership

- Families who may not be financially ready to own a home are paired with a volunteer coach/mentor
- The family participates in the Pathways program to prepare for homeownership
- Once graduated from the program, families are encouraged to apply for the Homeownership program through Habitat, Tenants to Homeowners or a variety of other programs
- First step is to fill out an application

Apply to Habitat for Humanity Programs

Applications can be picked up at our office or mailed. Our office is located at 2108 W 27th St Ste. C, in Lawrence. To request a mailed application email buildinghope@lawrencehabitat.org or visit lawrencehabitat.org and click on “Homeownership”.

Questions?

Erika Zimmerman

director@lawrencehabitat.org

913-369-7037

Are you ready to buy a home?

Question	Yes	No	Unsure
Do I know why I want to buy a house?			
Do I have reliable sources of income?			
Has my income been consistent for at least the last two or three years?			
Do I have a credit history?			
Have I reviewed my credit reports recently?			
Do I have a good record of paying my bills on time?			
Have I been paying my rent regularly and on time?			
Could I comfortably afford to make a monthly mortgage payment that would likely be at least as much as my current rent payment?			
Will I be able to make my mortgage payment every month in addition to the other costs of owning a home?			
Will I stay in the house I plan to buy for at least the next few years?			
Do I have money saved for a down payment?			
Do I have money saved for closing costs?			
Do I have money saved for emergencies, unexpected expenses, home maintenance, and home repairs?			

If you have a lot of “No” or “I don’t know” answers – that’s a great opportunity to set some goals and work towards being ready for homeownership. Depending on what those “No” answers are - you may be able to work with Habitat for Humanity, Tenants to Homeowner’s, or Housing and Credit Counseling to make homeownership possible for you.

Help with Down Payment

How much you need for a down payment will vary depending on factors including the price of home you want to buy, what type of loan you’re getting, and whether you’re using a community program to purchase a home. Here are two programs that can help you afford a down payment:

1) Kansas Individual Development Accounts (IDA) through Kansas Interfaith

Through this matched-savings program, individuals can save up to \$3,000 and receive a 2:1 match for a total of \$9,000 towards your goal! Your matched savings can be used for small business capitalization, post-secondary education, first-time home purchase, or home repairs.

Eligible households MUST: Be permanent residents of Kansas, have earned income from employment, and meet income guidelines and asset limitations

For more information & to apply visit: www.interfaithks.org/cash/ida

For questions contact: Diane Crabtree, Homeownership Program Manager, 620-259-991

2) Kansas Down Payment Assistance

Through this down payment assistance program, homeowners can get up to a 5% grant for cash assistance for down payment or closing costs. Requires use of a qualifying lender and loan, income and purchase price limitations apply. Visit www.kshap.org for more information.

Typical Steps to Buying a Home Off the Market

Step 1: Get Ready!

- Decide if you are ready to buy a home
- Figure out how much you can afford
- Check your credit history and work to resolve any issues

Step 2: Figure out the financing

- Learn about mortgages or other financing options
- Shop around for a loan
- Get pre-qualified or pre-approved

Step 3: Shop for your home

- Put together your team
- Find a home that fits your needs and your spending and savings plan

Step 4: Buy your home

- Make an offer
- Negotiate with the seller
- Get a home inspection
- Close

Step 5: Maintain your home & pay your mortgage

Financing

Getting Pre-Approved: What to bring to a loan application.

The bank wants to get a complete picture with information on all borrowers including employment, income, debts, assets, and credit. The list below is a recommendation to help you prepare for a loan application and may include items that don't apply to you.

- Names, addresses, Social Security Numbers and dates of birth for all borrowers.
- Names, addresses and phone numbers of employers and/or landlords for the past two years.
- Name address, account, number, minimum monthly payment and balance owed on all outstanding debts (car payments, credit cards, child support, etc.).
- Copies of last month's pay stubs.
- Copies of the last two months account statements on all deposit accounts, stock accounts, mutual funds, etc.
- Complete personal income tax returns and W-2 forms for the past two years.
- Complete business income tax returns for the past two years.
- If self-employed or commissioned, year-to-date Profit and Loss statement and balance sheet.
- Letter of explanation on any gaps in employment during the past two years.
- Letter of explanation on past credit problems, if applicable.
- Copy of divorce decree and property settlement, if applicable.
- Copy of bankruptcy documents (filings and discharges), if applicable.
- Letter of explanation for bankruptcy, if applicable.
- Credit report fee/appraisal fee.
- Lease agreement.

Reduce Credit Card Debt: Nine Strategies

If you need a plan to get out of debt, meeting with a credit counselor at Housing and Credit Counseling, Inc. is a very helpful way to begin. To speak to a credit counselor and/or make an appointment with a counselor in your area, call HCCI at (800) 383-0217.

1. Figure out how much you owe. Gather your credit card statements and make a list that includes the interest rates, total amounts you owe and monthly minimum payments.
2. Keep the two cards with the lowest interest rates. Cut up the rest and close the accounts.
3. If none of your cards have interest rates lower than 14%, get one.
4. Don't add to your balance. Pay off your debt without incurring more. To continue to build credit, charge a little bit on your credit card each month and pay it off in full.
5. Pay more than the minimum. If you only pay the minimum, you will never get rid of your debt.
6. Pay off the card with the highest interest rate first. Prioritize. Pay the minimum on your lowest-rate cards until you have paid the balances on your highest-rate cards.
7. Consolidate your debt. Many credit cards offer low introductory rates. Transfer your high interest balances and pay them off as quickly as possible.
8. Consider using your savings to pay off your debts. At the bank, your savings earns a little more than 3.2%, while the interest rate on your debt costs 18% or more.
9. Now, make it your goal to stay out of debt. If necessary, use only a debit card or cash.

Student Loan Repayment Counseling

Having a high monthly student loan payment can decrease the amount of income you have available for a mortgage payment and impact your preapproval for a loan. There are ways you can decrease your monthly payment, like going on an income-based repayment plan. If you are struggling to repay your loan or want to lower your monthly student loan payment and aren't sure how, Housing and Credit Counseling, Inc. may be able to help.

HCCI Student Loan Repayment Counseling work includes options for persons to rehabilitate or refinance a loan. Once a loan(s) is rehabilitated, counseling includes options for deferment, forbearance, and/or loan forgiveness when that option is a possibility. HCCI will empower you to make an informed decision on which repayment option is best for you.

HCCI's certified student loan expert will:

- Review each of your student loans & determine how much you owe, payment terms, and repayment program eligibility for each loan.
- Explore your repayment options & make sure you understand the pros and cons of each option.
- Develop a customized plan & provide unbiased advice and create a personalized plan just for you.
- Conduct an in-depth analysis & guide you in navigating your loan repayment options and do some of the legwork for you.
- Address delinquent and defaulted loans & create a personalized plan to bring your delinquent loans current and rehabilitate any defaulted loans.
- Submit paperwork. If appropriate, we will work with you to complete the application process for securing a student loan repayment program.
- Contact your loan servicers(s) & work as your advocate and partner with you every step of way until a final resolution is reached.

HCCI's student loan counseling service is personalized. We will develop a solution that is tailored for you. You will be empowered to make informed decisions and become more financially strong. And we will be there to assist you.

Not sure if student loan counseling is right for you? Call HCCI at 785-234-0217 to learn more.

For more information call HCCI or see links to HCCI resources at end of handbook.

Understanding Home Loans

Mortgage: A loan to buy your house, condominium, or townhouse

Principal: Amount of money you borrow

Interest: Cost of using money, expressed as a percentage

Points: Fee paid in advance in exchange for a lower interest rate on the mortgage

Fees: Money a lender charges for processing your application, such as application fees, processing fees, underwriting fees

Other charges: Other money you may have to pay, such as an appraisal to determine the value of the property

Annual Percentage Rate (APR): The overall cost of the loan on an annual basis, including the interest rate, points, and standard fees—it helps you compare loans

Down payment: Portion of the home's purchase price you pay in cash

Private Mortgage Insurance (PMI): Additional amount you may have to pay each month if your down payment is less than 20 percent of the purchase price

Loan amount: How much money the lender will loan to you

Type of interest rate: Fixed-rate or adjustable-rate

Loan term: Length of the loan

Closing: When ownership of the property is transferred from the seller to you—there may be additional upfront costs that you must pay at closing

PITI: Principal, interest, taxes and insurance

Escrow account: Where the lender or mortgage servicer deposits your monthly payments for property taxes and homeowner's insurance

Rate lock or lock-in: Feature of a loan offer that means the interest rate won't change between the offer and closing

A typical mortgage payment includes:

1. Principal and Interest - part of the monthly mortgage payment to the lender
2. Taxes and Insurance - held in Escrow and paid by the lender to the appropriate party when due.
3. Mortgage Insurance - protect lenders against loss if a borrower defaults. Sometimes called "Private Mortgage Insurance" or "PMI" generally required when you have less than 20% equity in the home.

Loans available:

- Conventional Loan - A fixed rate, fixed term loan made without government insurance.
- Adjustable-Rate Mortgage (ARM) – Mortgage made with an interest rate that will change over time. Rate typically starts low and then goes way up.
- FHA Loan - A mortgage insured by the Federal Housing Administration. It provides a low down-payment (3%-5%) on the house of your choice.
- VA Loan - A loan guaranteed by the Veterans Administration. Qualified veterans are allowed to buy a house at a certain price with no down payment.

- USDA Loans – Eligible rural homebuyers only, no down payment.
- Contract for Deed - A written real estate agreement between a purchaser and seller in which the payments are made to the seller at a specified interest rate for a number of years.

Program Specific Loans:

- Habitat for Humanity holds their own loans for program participants.
- Tenants to Homeowners uses a conventional fixed rate, 30-year loan with income-based down payment without requiring mortgage insurance.

Assistance available for down payments

- Kansas Down Payment Assistance – Statewide program for homebuyers, can receive up to 5% down payment assistance grant with their mortgage. www.kshap.org
- Interfaith Housing IDA Savings Plan – Individual development account program for low-income Kansans to receive a 2:1 match on their savings with a specific savings goal (such as a home purchase!) www.interfaithks.org/cash/ida

Shopping for a Home Loan

To get pre-approved, you will need to complete a loan application. Pre-approval means the lender tells you the maximum amount of money you can borrow to buy a home. With that information, you can look for homes within your budget. Some lenders may charge a fee for pre-approval.

Shop for a mortgage loan the way you shop for any high-cost item – compare prices and features. The cost of getting a mortgage can vary from one lender to another. Negotiate with the lender on the interest rate, points, and most processing fees.

Interest Rate: You can negotiate with your lender on the interest rate. Interest rates fluctuate daily, depending on the market. Check with several mortgage lenders for the best interest rate.

Discount Points: Lenders can charge you discount points when the interest rate is lower than the yield required by investors who buy mortgage securities. A discount point is \$1 for every \$100 of the mortgage loan amount. The number of points charged varies.

Closing Costs and Prepaid Items: When you purchase a home and your loan is finalized, you will have to pay closing costs. Closing costs are costs in addition to the price of the property paid when you close your loan to cover the transfer of ownership. Closing costs generally include the following:

- Closing agent's or attorney fees
- Interest paid from date of closing through the end of the month of closing
- Loan origination fee to cover lender administrative costs

- Credit report fees
- Appraisal fees
- Recording fees
- Survey fee
- First mortgage insurance premium
- Title insurance (yours and your lender's)

Certain closing costs, as well as certain prepaid items listed below, may be paid by the seller, or shared between the borrower and the seller, depending on the terms of the sales contract.

Prepays are advance payments (property taxes, first annual premium for homeowners' insurance, etc.) made at closing by the borrower that may be placed in an escrow account and used by the lender to pay these bills as they become due.

While the property taxes due at closing are usually covered in your prepaids, your mortgage payment also includes an amount to pay future taxes. These tax rates vary by area and typically increase with time.

Annual Percentage Rate

The Truth in Lending Act requires the lender to tell you the annual percentage rate (APR) charged on your home mortgage. APR is calculated by adding the interest rate, the discount points, the initial service charge, the premium paid to insure the mortgage, and certain other charges collected by the lender. The APR is not the same as the mortgage loan interest rate.

Watch out! Signs of Predatory Loan Packages

- Adjustable-Rate Mortgage (ARM) - This is not necessarily predatory, but be cautious. Unlike the conventional mortgage, the payments change as interest rates change. Many subprime loans are ARMs.
- Subprime Loans - Available to buyers with low credit scores (generally 620 or less). These loans carry an increased interest rate to compensate for the added financial risk. May include outrageous fees, extremely high interest rates and pressure to refinance constantly, which incurs greater fees.
- Balloon Payment - Included in a mortgage package and can be a component of a subprime loan. Requires the loan to be paid in a lump sum after a certain time period.
- Prepayment Penalty- Also may be included in a subprime loan. This is an extra fee for paying a loan early - either after refinancing or selling the house.

HUD's Mortgage Insurance Programs (FHA-Insured Loans)

Many individuals and families who could not otherwise buy a home become homeowners with the help of the Federal Housing Administration (FHA) mortgage insurance programs. FHA is a part of the U.S. Department of Housing and Urban Development (HUD). One of the chief purposes of FHA is to help people obtain financing. Persons who cannot make a large down payment may need the help of an FHA-insured mortgage to get a loan.

How FHA Mortgage Insurance Works

FHA's mortgage insurance programs help low - and moderate-income individuals and families buy homes or refinance their current mortgages. FHA mortgage insurance allows a homebuyer to make a low down-payment and get a mortgage loan.

The mortgage loan is made by a HUD approved lender. FHA insures the mortgage and pays the lender if the homebuyer defaults on the loan. **FHA/HUD does not make direct home loans.**

Who Can Get FHA Mortgage Insurance?

If you are buying a home, refinancing a mortgage for a home you already own, or making home improvements, you may qualify for an FHA-insured mortgage.

In fact, almost anyone with good credit, enough cash to close the loan and sufficient steady income to make monthly mortgage payments can be approved. There is no upper age limit and no certain income level required, although mortgage amounts are limited by law.

Generally, the home must be owner-occupied. The program is not open to investors.

See a HUD -approved housing counselor or lender, who will look at your income and spending to determine if you qualify. Federal law prohibits housing discrimination based on your race, color, national origin, religion, sex, family status, or disability.

How FHA Mortgage Insurance Can Help You

Whether you are buying a home, making home improvements, or refinancing your mortgage, work with a HUD-approved lender. Once your loan is approved, FHA will insure the loan. Because the lender is protected by this insurance, you can get better terms on your loan.

A lower down payment - Some lenders require 10 percent or more of the price of a home as a down payment. With FHA-insured mortgages, your down payment can be as low as 3.5 percent. The lender will likely require proof that you can afford the down payment.

Use of cash gifts toward down payment - With an FHA-insured mortgage, under certain circumstances you can use a gift from a relative, a local nonprofit organization, or a government agency for all or part of the down payment and closing costs.

FHA-insured mortgages are available in urban and rural areas for:

- Single family houses
- Houses with two, three, or four units
- Condominium units
- Houses needing rehabilitation

In addition, FHA-insured mortgages are available for reverse mortgages for seniors, called a Home Equity Conversion Mortgage.

To make sure that its programs serve low- and moderate-income people, FHA sets upper limits on the value of the mortgage loan. These limits change annually and vary by city and state. Check with a local lender or look online on HUD's website, www.hud.gov

The Cost of FHA Mortgage Insurance

When you get a mortgage loan insured by FHA, you have to pay an up-front insurance premium, which can be included in your loan. You will also have to pay a monthly insurance premium as well as the regular mortgage payment. FHA uses the premiums to pay the lender if you default on your mortgage.

Independent Home Inspection

FHA does not guarantee the value or condition of your future home, and FHA does not perform home inspections. If you find problems with your new home after closing, FHA cannot give or lend you money for repairs, nor can it buy the home back from you.

That's why it is so important for you, the buyer, to get an independent home inspection. You should remember that an inspection is different from an appraisal, which also will be performed as part of the mortgage process.

Potential Tax Benefits for Homeowners

The IRS has extensive rules about the tax breaks available for homeowners. To take advantage of these tax breaks you must itemize your deductions rather than taking the standard deduction. If the standard deduction is greater than what you can itemize, take the standard deduction.

If you aren't sure how to itemize deductions or what will get you the biggest refund – seek tax help! If you have a household income below \$66,000 you can get FREE tax prep assistance through IRS Certified Volunteers by going to www.getyourrefund.org

2025 Standard Deduction Amount by Filing Status	
Single or married filing separately	\$15,000
Head of household	\$22,500
Married filing jointly	\$30,000

Deductions that may be itemized that are unrelated to homeownership:

- Out-of-pocket medical or dental expenses not covered by insurance and exceed 7.5% AGI.
- Long-term care insurance premiums that exceed 10% AGI, other limitations apply.
- Donations made to qualifying charities are deductible, subject to limitations.
- Losses from a federally declared disaster that exceed 10% AGI after subtracting \$100.
- If you are an armed forces reservist, qualified performing artist, state or local government official working on a fee basis, or an employee with impairment-related work expenses you may be able to deduct job-related expenses that exceed 2% AGI.
- Eligible educators may deduct up to \$250 in unreimbursed expenses.
- Other miscellaneous deductions

Homeownership related deductions you can itemize:

1. Mortgage Interest has limits on how much interest can be deducted, but these limits are high and only impact homeowners with mortgage balances of 750K or more. There are many online mortgage calculators that can help you estimate ahead of time how much you will spend on mortgage interest.

2. Property Taxes You can deduct up to 10K of property taxes as a married couple filing jointly – or 5K if you are single or married filing separately.

3. Mortgage Insurance or PMI is there to protect your lender if you are unable to continue making payments on your mortgage. If you have mortgage insurance, you can deduct payments.

4. Home Equity Loan Interest With a home equity loan, you can access the equity you've built in your home as collateral to borrow funds that you need for other purposes. Like regular mortgage interest, you can deduct the interest you've paid on home equity loans and home equity lines of credit. However, you can only make this deduction if you used the borrowed funds to pay for a home improvement.

5. Discount Points When you take out a mortgage, you may have the option to purchase discount points to lower your interest rate on the loan. If you have this option, one discount point will equate to 1% of the mortgage amount. If the points are purchased to reduce the mortgage's interest rate, you can deduct the cost of the discount points. However, 'loan origination points' will not be tax deductible because these are fees that don't affect the interest rate of your loan.

6. Necessary Home Improvements can qualify as tax deductions. If you have to make permanent improvements to make your home more accessible for medical reasons, that should qualify. A few examples might include installing medical equipment, installing railings, or widening doorways for an accessible home.

7. Home Office Expenses may be deductible if you operate a business in your residence. The IRS requires that you use your home office for regular and exclusive business use to qualify for a deduction. If you only use the office space when it is convenient, or just for working from home for your employer, that will not qualify. In terms of the deductions, the size of the deduction is based on the percentage of your home dedicated to the place of business.

8. Capital Gains tax breaks come into play when you sell your home for a profit. The capital gain is the difference between the value of the home when you bought it and when you sold it. For example, let's say you bought your home for 150K and it sold for 200K. The 50K difference is your "capital gain".

If you were using the home as your primary residence for 2 of the last 5 years, you could keep some profits without any tax obligation. As a married couple filing jointly, you can keep up to 500K in capital gains. As a single filer or married couple filing separately, each party can keep up to 250K of capital gains without a tax obligation.

Which Homeowner Expenses Aren't Deductible?

The following items won't qualify as deductions on your tax return:

- Home insurance
- Homeowner association fees
- Title insurance
- Loan origination "points" or other costs of obtaining a loan
- Costs for utilities
- Domestic services
- Depreciation
- Closing or settlement costs
- Forfeited deposits, down payments, or earnest money

If you aren't sure how to itemize deductions or what will get you the biggest refund – seek tax help! If you have a household income below \$66,000 you can get FREE tax prep assistance through IRS Certified Volunteers by going to www.getyourrefund.org

Twelve ways to Lower Homeowner's Insurance Costs

Insurance Information Institute

The price you pay for your homeowners' insurance can vary by hundreds of dollars, depending on the insurance company you buy your policy from. Here are some things to consider when buying homeowners insurance.

- 1. Bundle! Buy your home and auto policies from the same insurer:** Some companies that sell homeowners, auto and liability coverage will take 5 to 15 percent off your premium if you buy two or more policies from them. But make certain this combined price is lower than buying the different coverages from different companies.
- 2. Shop around:** It'll take some time but could save you a good sum of money. Ask your friends, get free online quotes, or contact your state insurance department. National Association of Insurance Commissioners (www.naic.org) has information to help you choose an insurer in your state, including complaints. States often make information available on typical rates charged by major insurers and many states provide the frequency of consumer complaints by company.
- 3. Raise your deductible:** Deductibles are the amount of money you have to pay toward a loss before your insurance company starts to pay a claim, according to the terms of your policy. The higher your deductible, the more money you can save on your premiums. Nowadays, most insurance companies recommend a deductible of at least \$500. If you can afford to raise your deductible to \$1,000, you may save as much as 25 percent. Remember, if you live in a disaster-prone area, your insurance policy may have a separate deductible for certain kinds of damage. If you live near the coast in the East, you may have a separate windstorm deductible; if you live in a state vulnerable to hailstorms, you may have a separate deductible for hail; and if you live in an earthquake-prone area, your earthquake policy has a deductible.
- 4. Don't confuse what you paid for your house with rebuilding costs:** The land under your house isn't at risk from theft, windstorm, fire, and the other perils covered in your homeowners' policy. So don't include its value in deciding how much homeowners' insurance to buy. If you do, you will pay a higher premium than you should.
- 5. Maintain a good credit record:** Establishing a solid credit history can cut your insurance costs. Insurers are increasingly using credit information to price homeowners' insurance policies. In most states, your insurer must advise you of any adverse action, such as a higher rate, at which time you should verify the accuracy of the information on which the insurer relied. To protect your credit standing, pay your bills on time, don't obtain more credit than you need and keep your credit balances as low as possible. Check your credit record on a regular basis and have any errors corrected promptly so that your record remains accurate.
- 6. Stay with the same insurer:** If you've kept your coverage with a company for several years, you may receive a special discount for being a long-term policyholder. Some insurers will reduce their premiums by 5 percent if you stay with them for three to five years and by 10 percent if you remain a policyholder for six years or more. But make certain to periodically compare this price with that of other policies.
- 7. Review the limits in your policy and the value of your possessions at least once a year:** You want your policy to cover any major purchases or additions to your home. But you don't want to spend money for coverage you don't need. If your five-year-old fur coat is no longer worth the \$5,000 you paid

for it, you'll want to reduce or cancel your floater (extra insurance for items whose full value is not covered by standard homeowners' policies such as expensive jewelry, high-end computers and valuable artwork) and pocket the difference.

8. Ask about discounts: Companies offer several types of discounts that you could qualify for based on demographics or other factors. For example, since retired people stay at home more than working people, they are less likely to be burglarized and may spot fires or other issues sooner. If you're at least 55 years old and retired, you may qualify for a discount of up to 10 percent at some companies. Some employers and professional associations administer group insurance programs that may offer a better deal than you can get elsewhere.

9. Look for private insurance if you are in a government plan: If you live in a high-risk area – say, one that is especially vulnerable to coastal storms, fires, or crime – and have been buying your homeowners insurance through a government plan, you should check with an insurance agent or company representative or contact your state department of insurance for the names of companies that might be interested in your business. You may find that there are steps you can take that would allow you to buy insurance at a lower price in the private market.

10. Make your home more disaster resistant: Find out from your insurance agent or company representative what steps you can take to make your home more resistant to windstorms and other natural disasters. You may be able to save on your premiums by adding storm shutters, reinforcing your roof or buying stronger roofing materials. Older homes can be retrofitted to make them better able to withstand earthquakes. In addition, consider modernizing your heating, plumbing and electrical systems to reduce the risk of fire and water damage.

11. Improve your home security: You can usually get discounts of at least 5 percent for a smoke detector, burglar alarm or dead-bolt locks. Some companies offer to cut your premium by as much as 15 or 20 percent if you install a sophisticated sprinkler system and a fire and burglar alarm that rings at the police, fire or other monitoring stations. These systems aren't cheap and not every system qualifies for a discount. Before you buy such a system, find out what kind your insurer recommends, how much the device would cost and how much you'd save on premiums.

12. When you're buying a home, consider the cost of homeowners insurance: You may pay less for insurance if you buy a house close to a fire hydrant or with electrical, heating, and plumbing systems are less than 10 years old. Check the CLUE (Comprehensive Loss Underwriting Exchange) report of the home you are thinking of buying. These reports contain the insurance claim history of the property and can help you judge some of the problems the house may have.

Remember that flood insurance and earthquake damage are not covered by a standard homeowners' policy. If you buy a house in a flood zone area, you'll have to pay for a flood insurance policy. The Federal Emergency Management Agency provides useful information on flood insurance on its Web site at www.fema.gov/nfip/. A separate earthquake policy is available from most insurance companies. The cost of the coverage will depend on the likelihood of earthquakes in your area. In California the California Earthquake Authority (www.earthquakeauthority.com) provides this coverage.

If you have questions about insurance for any of your possessions, be sure to ask your agent or company representative when you're shopping around for a policy. For example, if you run a business out of your home, be sure to discuss coverage for that business. Most homeowners' policies cover business equipment in the home, but only up to \$2,500 and they offer no business liability insurance. Although you want to lower your homeowners' insurance cost, you also want to make certain you have all the coverage you need.

Home Inspections & Home Maintenance

The Importance of Getting a Home Inspection

During a home inspection, a qualified inspector takes an in-depth, impartial look at the property. Unless you are buying brand new construction you should ask the home inspector to schedule a termite inspection at the same time as the mechanical inspection. After the inspection is complete, you will receive a written report of the findings from the home inspector, usually within five to seven days. The inspector will:

- Evaluate the physical condition: the structure, construction, and mechanical systems.
- Identify items that should be repaired or replaced.
- Estimate the remaining useful life of the major systems, equipment, structure, and finishes.

Inspector's Top Ten

1. **Poor drainage.** This is the most common problem. You may need to install a new system of roof gutters and downspouts or have the lot re-graded to channel water away from the house.
2. **Faulty wiring.** An insufficient or out-of-date electrical system is common, especially in older homes. This is a dangerous and serious problem, and you may need to replace all or part of the electrical system.
3. **Leaky roof.** Water damage on the roof may be due to old/damaged shingles or improper flashing. Depending on the extent of the problem, the solution may be as simple and cheap as replacing a few sections, or as expensive as installing a new roof.
4. **Hazardous heating system.** An old or poorly maintained heating system is dangerous and serious. Repairing or replacing a furnace is expensive, but an energy-efficient furnace will lower your utility bills. If you do not have an electric heating system, install carbon monoxide detectors throughout your house.
5. **The whole house has been poorly maintained.** Cracked, peeling paint, crumbling masonry, broken fixtures, sloppy wiring, shoddy plumbing. Cosmetic problems are easily fixed, but electrical or plumbing problems are much more serious and must be replaced immediately.
6. **Minor structural damage.** While the house won't fall down tomorrow, small problems may become serious later. Structural damage is usually caused by water seeping into the foundation, floor joists, rafters or window and door headers. First, fix the problem at its source, then repair the damage.
7. **Plumbing problems.** This usually involves old or incompatible piping materials and faulty fixtures or waste lines. Solutions range from the simple to the expensive.
8. **Water and air leaks in around windows and doors.** This is usually not due to a structural problem. The culprit is usually poor caulking and weather stripping, which can be repaired simply and inexpensively.
9. **Poor ventilation.** Excessive moisture due to poor ventilation damages interior walls, structural elements and can cause allergic reactions. Install ventilation fans in bathrooms or open windows. An inexpensive solution is to replace drywall. A more expensive solution involves replacing a structural element.
10. **Environmental hazard(s).** This includes lead-based paint (common in homes built prior to 1978), asbestos, formaldehyde, contaminated drinking water, radon, and leaking underground oil tanks. May require special inspections and be costly to fix depending on the type & extent of the issue.

Fix-It Chick: Make a checklist before buying a home

From the LJWorld Mar 19, 2016 by Linda Cottin



When it comes to purchasing a new home, “buyer beware” are words to live by. Follow these steps to help avoid unexpected homeowner expenses:

Step 1: Examine the roof for worn or missing shingles. Check to see if there are multiple layers of shingles already on the roof. Make sure the roof is not sagging and confirm that the fascia boards and soffits are free from rot. Typical roofs last 20 to 25 years. Removing multiple layers of roofing or replacing damaged wood is expensive.

Step 2: Look for peeling paint and dry rot around the home’s exterior. Painting a home is not an easy task and replacing rotting windows can be costly.

Step 3: Look for cracks and crevices on the inside and outside of the home’s foundation. Examine the gutters to ensure they are secure and properly angled. Check to see that the ground slopes away from the house. Improper drainage can do irreparable damage to a home’s foundation, and a home is only as strong as the foundation it is built on.

Step 4: Consider the age and condition of the furnace and the air conditioner. Mechanical updates are costly and usually come at the most inopportune time.

Step 5: Examine the plumbing. Flush the toilets, run the water and check the warranty date on the water heater. Galvanized or cast-iron pipes, missing shut-off valves, low water pressure and slow drains can all point to costly repairs lurking ahead.

Step 6: Check the electrical service panel to ensure it is up to date. Panels with screw-in fuses, old wiring or less than 100-amp service will need to be upgraded immediately.

Step 7: Look in closets, cupboards, attics and crawl spaces for signs of water damage, poor insulation or other tell-tale signs of trouble. Small stress cracks in walls and ceilings are normal, but crevices greater than one-sixteenth of an inch could indicate structural problems.

Step 8: Seriously evaluate the style and usefulness of the kitchen and bathrooms. An average bathroom remodel will cost \$10,000 or more, and an average kitchen remodel will cost at least \$20,000. Consider the remodeling costs before you make an offer on a home.

Step 9: Look for low drainage spots in the yard, improperly pruned trees, overgrown vegetation and unkempt fences or decks. All of these could put a dent into the already stretched budget of any new homeowner.

Home Maintenance Checklist

MONTHLY

- Fire Extinguisher: Check that it's fully charged; recharge or replace if needed.
- Sink/Tub Stoppers and Drain Holes: Clean out debris.
- Garbage Disposal: Flush with hot water and baking soda.
- Water Softener: Check water softener salt drum and replenish salt if necessary.
- Forced-Air Heating System: Change filters once a month if user's manual recommends fiberglass filters.

EVERY 2 MONTHS

- Wall Furnace: Clean grills.
- Range Hood: Clean grease filter.

EVERY 3 MONTHS

- Faucet: Clean aerator.
- Tub Drain Assembly: Clean out debris; inspect rubber seal and replace if needed.
- Floor and Outdoor Drain Grates: Clean out debris.

EVERY 6 MONTHS

- Smoke Detector: Test batteries and replace if needed.
- Toilet: Check for leaks and water run-on.
- Interior Caulking: Inspect caulking around tubs, showers, and sinks; replace any if it is deteriorating.
- Garbage Disposal: Tighten drain connections and fasteners.
- Clothes Washer: Clean water inlet filters; check hoses and replace them if they are leaking.
- Clothes Dryer: Vacuum lint from ducts and surrounding areas.
- Wiring: Check for frayed cords and wires; repair or replace them as needed.
- Range Hood: Wash fan blades and housing.

EVERY SPRING

- Roof: Inspect roof surface, flashing, eaves, and soffits; repair if needed.
- Gutters and Downspouts: Clean them out or install no-clean version. Inspect and repair weak areas; check for proper drainage and make repairs if needed.
- Siding: Inspect and clean siding and repair if needed.
- Exterior Caulking: Inspect caulking and replace any that is deteriorating.

- Windowsills, Doorsills, Thresholds: Fill cracks, caulk edges, repaint; replace if needed.
- Window and Door Screens: Clean screening and repair or replace if needed; tighten or repair any loose or damaged frames and repaint if needed; replace broken, worn, or missing hardware; tighten and lubricate door hinges and closers.

EVERY FALL

- Roof: Inspect roof surface, flashing, eaves, and soffits; repair if needed.
- Gutters and Downspouts: Clean out. Inspect and repair weak points, check for proper slope.
- Chimney or Stovepipe: Clean flue (more frequently if needed); repair any cracks in flue or any loose or crumbling mortar.
- Siding: Inspect and clean siding and repair if needed.
- Exterior Caulking: Inspect caulking and replace any that is deteriorating.
- Storm Windows and Doors: Replace any cracked or broken glass; tighten or repair any loose or damaged frames and repaint if needed. Replace damaged hardware; tighten and lubricate door hinges and closers.
- Window and Door Weather Stripping: Inspect and repair or replace if it is deteriorating or if it does not seal.
- Thermostat: Clean heat sensor, contact points, and contacts; check accuracy and replace thermostat if it is not functioning properly.
- Outdoor Faucets: If you live in an area with freezing winters, shut off valves to outdoor faucets. Open spigots and drain, store hoses.

ANNUALLY

- Septic Tank: Have a professional check the tank (watch for backup throughout the year). In many areas, it is recommended that the tank be pumped every year.
- Main Cleanout Drain: Have a "roofer" professional clean out the main line, particularly if there are mature trees in your yard whose roots could have cracked the pipe in their search for moisture.
- Water Heater: Drain water until it is clear of sediment; test temperature pressure relief valve; clean burner and ports (gas heater)
- HVAC System: Have a professional tune up your heat/air conditioning system

Home Security Inspection Checklist

A careful inspection can indicate features which would make entry either easy or difficult for a prospective burglar. Chances are good that home security can be improved. Take a hard look at entry points in your residence and determine what steps can reduce vulnerability. A security inspection begins at the front door and goes on to include side and rear doors, windows, locks, lights and landscaping. Most security modifications that you might consider making are simple and quite cost effective.

Disclaimer: The following recommendations in no way ensure that this residence will be one hundred percent burglar proof, but these are proven techniques to make your home more secure and a more difficult target for burglars.

EXTERIOR DOORS & ENVIRONMENT:

Apply these security recommendations to all exterior doors including entrances from garage/ basement to house.

- Is house address clearly posted and lit to aid emergency response? Yes No
- Is door itself of metal or solid wood construction? Yes No
- Is doorframe strong enough and tight enough to prevent forcing or spreading? Yes No
- Are door hinges protected from removal from outside? Yes No
- Are there windows/glass panels in the door within 40 inches of the lock? Yes No
- If there are no windows in or near door, is there a wide-angle viewer or voice intercom device? Yes No
- Is door secured by a deadbolt lock with a minimum 1-inch throw? Yes No
- Are strikes and strike plates adequate and properly installed with 2 ½ -3-inch screws? Yes No
- Can the lock mechanism be reached through a mail slot, delivery port or pet entrance at the doorway? Yes No
- Is there a screen or storm door with an adequate lock? Yes No

LOOK AT YOUR HOME FROM THE OUTSIDE-IN

- Is the exterior of the front/rear entrance lighted with at least a 40-watt bulb? Yes No
- Can front/rear entrance be easily observed from street or other homes or a public area? Yes No
- Does porch or landscaping offer concealment from view of the street, other homes or public areas? Yes No

SLIDING GLASS DOORS & WINDOWS:

- Do all windows have adequate locks in operating condition? Do windows/sliding doors close snugly? Yes No
- Can the sliding panel be lifted out of the track? Yes No
- Is there a dowel or "charley bar" in the bottom of track to prevent horizontal movement? Yes No
- Are exterior areas of windows free from a concealing structure or landscaping? Yes No

GARAGE SECURITY TIPS:

Double-check to ensure garage door is closed when not in use. If there are ground-level windows in your garage they should be covered with curtain or blind to prevent someone from looking in. Unplug garage door opener when away from home for vacation or extended period of time.

MISCELLANEOUS HOME SAFETY:

Smoke Detector: Check each one in the home. Test to ensure they are functioning.

Fire Extinguisher: Have one in the garage and a small one in or near the kitchen.

Shopping for a Home

House Need/Want List

Basic Questions

- What part of town do I want to live in?
- What is my price range?
- Do I need a certain school district?
- How many stories?
- How many bedrooms do I absolutely need? How many do I want?
- How many bathrooms do I absolutely need? How many do I want?
- How much renovation am I willing to do?
- Do I need to be near public transportation?
- What, if any, accessibility features do I need?
- Do I want an older home or newer home?
- Do I prefer a certain style?

Exterior Features	Must Have	Optional
large yard	<input type="checkbox"/>	<input type="checkbox"/>
small yard	<input type="checkbox"/>	<input type="checkbox"/>
fenced yard	<input type="checkbox"/>	<input type="checkbox"/>
garage	<input type="checkbox"/>	<input type="checkbox"/>
carport	<input type="checkbox"/>	<input type="checkbox"/>
patio/deck	<input type="checkbox"/>	<input type="checkbox"/>
outdoor spa	<input type="checkbox"/>	<input type="checkbox"/>
extra parking	<input type="checkbox"/>	<input type="checkbox"/>
other buildings (barn, shed etc.)	<input type="checkbox"/>	<input type="checkbox"/>
special view	<input type="checkbox"/>	<input type="checkbox"/>

Interior Features	Must Have	Optional
wall-to-wall carpet	<input type="checkbox"/>	<input type="checkbox"/>
ceramic tile	<input type="checkbox"/>	<input type="checkbox"/>
hardwood floors	<input type="checkbox"/>	<input type="checkbox"/>
eat-in kitchen	<input type="checkbox"/>	<input type="checkbox"/>
separate dining room	<input type="checkbox"/>	<input type="checkbox"/>
formal living room	<input type="checkbox"/>	<input type="checkbox"/>
family room	<input type="checkbox"/>	<input type="checkbox"/>
lots of windows/light	<input type="checkbox"/>	<input type="checkbox"/>
fireplace	<input type="checkbox"/>	<input type="checkbox"/>
basement	<input type="checkbox"/>	<input type="checkbox"/>
no interior steps	<input type="checkbox"/>	<input type="checkbox"/>

Comparing Homes – List of Features to Look For

Use this list to compare and contrast the cost, size and maintenance of listed homes. Think about what your wants vs. needs are as you compare homes.

Financial

Price

Tax rate

Features that may increase insurance cost

Neighborhood

Values (rising/falling/stable)

General condition

School district and schools

Public transportation

Friends, relatives nearby

Major roads, highways, traffic

Diversity in the neighborhood

Kids in the neighborhood

Safety, security

Zoning, restrictions

Convenience to work, school, stores etc.

Full municipal services

Walkability/Sidewalks

Cost of living

Home Space

Square footage (under roof, heated area)

Bedrooms (number, size, closets)

Bathrooms (number, size, location)

Kitchen (size, built-ins, appliances, counter space, cabinets, eating area, pantry)

Living room (size, location)

Dining room or area (size)

Family room (size and location)

Utility/Laundry room (location)

Garage/carport (attached? capacity?)

Storage space, utility areas

Basement (finished?)

Attic

Traffic patterns

Conversion and/or expansion capabilities

Accessibility

Interior Features

Move-in condition or fixer upper

Fireplace(s)

Type of floors

Carpeting (condition and color)

Drapes, curtains (location, condition)

General appearance (need to redecorate)

Walls (plaster, drywall, papered, painted)

Type of interior wood finish (natural wood, painted)

Bathrooms (new, older)

Kitchen

Exterior Features

Style (colonial, contemporary, modern, split-level, ranch, two story, Tudor, Spanish)

Balconies, decks, patios porches (open, screened)

Roof (composition, age, condition)

Exterior finish (brick, stone, aluminum siding, cedar, stucco, masonite, clap board, combination, trim)

Maintenance requirements of exterior materials

Size of lot and maintenance required

Access to lot

Landscaping

Energy Efficiency

Type of heating

Central air conditioning

Energy costs (high or low)

Insulation

Storm windows

Weather-stripping

Neighborhood Checklist

The location of a home can be the most important factor to consider when buying a home. Make your own personal observations, but also consult with your real estate agent, local governments, friends, or homeowners already in the area you're considering. Use this checklist of items of concern to most buyers to decide if the location in mind will suit your wants and needs.

Neighborhood Property Values

Are they stable or rising?

Are values in line with the home you are considering?

Personal

Are there churches of your religious preference in the area?

Are there suitable recreational facilities in the area to provide for you and/or your children's needs and interests?

Community Services

Are there zoning or other restrictions?

Is there adequate police and fire protection?

Are there arrangements for trash collection, snow removal and insect spraying?

Is there a reliable and drinkable source of water and adequate water pressure?

Is there a hospital nearby?

Streets and Transportation

Are the streets well maintained? Are they well lit?

Does the speed limit suit you?

Are there major roads or highways nearby?

Is public transportation adequate and handy?

Schools

Do the schools your children will attend provide the quality of education that suits you?

Are there a variety of schools (i.e., elementary, secondary, public/private)?

Are they located at a convenient distance?

Environment

Is the home near sources of smoke, soot, dust, odors or excessive noise?

Is the home at a safe distance from streams, and hazards such as gas or oil tanks which might overflow?

Is the home on a busy street or highway?

Shopping

Are there adequate facilities close by (i.e., supermarkets, drug stores, shopping plaza, department stores)?

Real Estate Roles

Real estate agent

Helps you find a home that meets your needs and wants. Manages the process of writing your offer on a home and represents you in negotiations with the seller. Manages the process of writing the real estate contract, searching the title, and conducting closing with the title insurance companies. You can select a real estate agent to be your buyer's agent and work on your behalf, not the seller's – see next page for more on this.

Appraiser

Provides an estimate of the home's value.

Lender

Qualifies you for a loan. Also lends you the money to help you buy the home.

Housing inspector

Identifies key problems with the home before you buy it.

Housing Counselor

HUD-approved housing counselors provide advice on buying a home. They provide assistance at any stage of the home buying process. Contacting them early may help you get connected to down payment assistance and other resources. It may be helpful to consult with a housing counselor before working with a lender.

Call 1-800-569-4287 or visit www.hud.gov/findacounselor.

Attorney

The attorney's role varies depending on state law and local practices. It may include writing the real estate contract, searching the title, and conducting the closing.

Title insurance agent

Researches the title of the property to make sure the seller has the right to sell it.

Insurance agent

Determines whether the property can be covered by insurance and how much the insurance will cost.

SELLER'S AGENT

The SELLER'S Agent represents the SELLER only, so the BUYER may be either unrepresented or represented by another agent.

The SELLER'S Agent is responsible for:

- promoting the interests of the SELLER with the utmost good faith, loyalty, and fidelity.
- protecting the SELLER'S confidences, unless disclosure is required.
- presenting all offers in a timely manner.
- advising the SELLER to obtain expert advice.
- accounting for all money and property received.
- disclosing to the SELLER all adverse material facts about the BUYER that the agent knows.
- disclosing to the BUYER all the adverse material facts actually known by the agent, including:
 - ✓ environmental hazards affecting the property that are required to be disclosed.
 - ✓ the physical condition of the property
 - ✓ the material defects in the property or in the Title to the property.
 - ✓ any material limitation on the SELLER'S ability to complete the contract.

The SELLER'S Agent has no duty to:

- conduct an independent inspection of the property for the benefit of the buyer.
- independently verify the accuracy or completeness of any statement by the SELLER or any qualified third party

BUYER'S AGENT

The BUYER'S Agent represents the BUYER only, so the SELLER may be either unrepresented or represented by another agent.

The BUYER'S Agent is responsible for:

- promoting the interests of the BUYER with the utmost good faith, loyalty, and fidelity.
- protecting the BUYER'S confidences, unless disclosure is required.
- presenting all offers in a timely matter.
- advising the BUYER to obtain expert advice.
- accounting for all money and property received.
- disclosing to the BUYER all the adverse material facts that the agent knows.
- disclosing to the SELLER all adverse material facts actually known by the agent, including all material facts concerning the BUYER'S financial ability to perform the terms of the transaction.

The BUYER'S agent has no duty to:

- conduct an independent investigation of the BUYER'S financial condition for the benefit of the SELLER.
- independently verify the accuracy or completeness of any statement by the BUYER or any qualified third party.

TRANSACTION BROKER

The Transaction Broker is not an agent for either party, so the Transaction Broker does not advocate the interest of either party.

The Transaction Broker is responsible for:

- protecting the confidences of both parties, including the following information:
 - ✓ the fact that the BUYER is willing to pay more.
 - ✓ the fact that a SELLER is willing to accept less.
 - ✓ factors that are motivating any party.
 - ✓ the fact that a party will agree to different financing terms.
 - ✓ any-information or personal confidences about a party that might place the other party at an advantage.
- exercising reasonable skill and care.
- presenting all offers in a timely manner.
- advising the parties regarding the transaction.
- suggesting that the parties obtain expert advice.
- accounting for all money and property received.
- keeping the parties fully informed.
- disclosing to the BUYER all adverse material facts actually known by the Transaction Broker, including:
 - ✓ environmental hazards affecting the property that are required to be disclosed.
 - ✓ the physical condition of the property.
 - ✓ any material defects in the property or in the title to the property.
 - ✓ any material limitation on the SELLER'S ability to complete the contract.
- disclosing to the SELLER all adverse material facts actually known by the Transaction Broker, including all material facts concerning the BUYER'S financial ability to perform the terms of the transaction.

The Transaction Broker has no duty to:

- conduct an independent inspection of the property for the benefit of any party.
- conduct an independent investigation of the BUYER'S financial condition.
- independently verify the accuracy of completeness of statements made by the SELLER, BUYER, or any qualified third party.

CLIENTS are represented by an agent, CUSTOMERS are not. Do not assume an agent is acting on your behalf unless you have signed a contract with the agent's firm to represent you. As a customer, you represent yourself. Assume that any information that you, the customer, disclose to the agent representing the other party will be disclosed to that other party. Even though licensees may be representing other parties, they are obligated to treat you honestly, give you accurate information, and disclose all know adverse material facts.

Negotiating Tips

Remember, all negotiations must be done in writing.

Technique	When most effective	Possible Outcomes
Start low & move up	When a property is overpriced in a slow market	Seller rejects outright or counteroffers
Offer close to asking price	When a property is priced well in an active market	Seller accepts or counters for slightly more money
Offer top price you can afford	When the market is hot	Walk away if the seller rejects
Save terms to bargain	When the seller is highly motivated	Seller may lower price or agree to repairs after the inspection, in exchange for a quicker closing date
Compromise	Works in most cases	You gain a lower price or other concession, but also agree to something the seller wants
Move in small increments	When a property is overpriced in a slow market	Seller may accept a lower price after considering it for a while
Focus on issues you can resolve to keep momentum	After several rounds of negotiations	Seller and buyer agree after resolving easiest issues first
Be unpredictable	After several rounds of negotiations	Seller may accept after you make a dramatic change
Either/or offer	After several rounds of negotiations	Seller may accept one of two scenarios you offer
Split the difference	After several rounds of negotiations	You settle on a price exactly between asking price and offer
Set deadlines	Any situation	What a time limit, everyone acts more decisively

Avoiding Foreclosure

Foreclosure is a situation in which a homeowner is unable to make mortgage payments as required, which allows the lender to seize the property, evict the homeowner and sell the home, as stipulated in the mortgage contract.

Step one: communicate with your lender As soon as you realize that you are going to have trouble making your mortgage payments, contact your lender and tell them about your financial difficulties. This gives them the opportunity to work with you to create a plan. **Do not** stop paying your bills, and **do not** wait until you cannot make payments before you act. Though you may feel scared or embarrassed, **immediately** begin working with your lender to avoid foreclosure on your home.

Step two: work with the MHA program You can get help through the Making Home Affordable (MHA) program, which provides free counselors for advice and assistance with keeping you in your home or getting out safely. Visit the MHA website to read about the options and what you'll need to prepare **makinghomeaffordable.gov**

MHA has a hot line you can call anytime: 1-888-995-HOPE (1-888-995 -4673) and TTY users should call 1-877-304- 9709. You can also find a counselor in your area. Your state's housing agency might have a foreclosure avoidance program as well.

If you have an FHA loan, call the FHA National Servicing Center at 1-877-622-8525.

Beware of mortgage relief scams. One sign of a scam is when they ask for a fee in advance. Learn how to spot housing scams and report housing scams.

Foreclosure scams target homeowners who are struggling to meet their mortgage commitment or are anxious to sell their homes. Scam operators may promise to help you keep your home or sell your home without having to go into foreclosure, for a fee. They collect the fees and don't deliver on what they promised.

Common foreclosure scams

- Offers to negotiate with your lender
- Advises that they can stop foreclosure by "helping" you file for bankruptcy
- Asks you to sign over the title to your house to them and make smaller rental payments to them until you can afford to buy the house back later
- Promises to act as an intermediary between you and your mortgage lender to refinance your loan
- Instructs you to make payments directly to them instead of the lender
- Claims that they are affiliated with government mortgage modification programs (keep in mind that legitimate, government approved programs do not charge fees to participate in them)
- Encourages you to sign fake foreclosure rescue documents
- Claims that they can perform a forensic mortgage loan audit to help you hold onto your home

If you need to report a foreclosure scam, you may file a complaint by contacting the Federal Trade Commission (FTC). If the scam involves bankruptcy, contact a local U.S. Trustee office.

Even More Resources

2:1 Matched Savings through KS Interfaith: www.interfaithks.org/cash/ida

Checking your credit: Annual Free Credit Report www.annualcreditreport.com/index.action

Douglas County Land Survey www.douglascountyks.org/depts/public-works/getting-survey

Habitat for Humanity lawrencehabitat.org

Housing & Credit Counseling housingandcredit.org

Housing & Credit Counseling Student Loan Resources

housingandcredit.org/student-loan-repayment-counseling

housingandcredit.org/wp-content/uploads/2021/01/optionsforstudentloandefault.pdf

housingandcredit.org/wp-content/uploads/2021/01/whoismyloanservicer.pdf

HUD Fair Housing Brochure www.hud.gov/sites/documents/FHEO_BOOKLET_ENG.PDF

HUD Homeownership Assistance www.hud.gov/states/kansas/homeownership/buyingprgms

Kansas Housing Resources Corporation Homeowner Resources kshousingcorp.org/homeowners

Mortgage Calculator www.bankrate.com/calculators/mortgages/mortgage-calculator.aspx

Shopping for Homeowner's Insurance Guide insurance.kansas.gov/home-renters-insurance/

Taxes: IRS Homeowners Deduction Information www.irs.gov/publications/p530

Tenants to Homeowner's tenants-to-homeowners.org

If you have a resource you would like to share with other prospective homebuyers email Ashley, the Homebuyer Program Manager at ashleyt@tenants-ot-homeowners.org to add it to this list!

We have done our best to check all information included in this handbook for accuracy. If you find that any information in this handbook is inaccurate or out of date, please contact us and we will make necessary corrections.

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