



HOMEBUYER WORKBOOK

MSDC

2026

HOMETODAY

Historically, Home*Today* has combined innovation in lending with education to provide first-time and First-Generation home buyers the opportunity to achieve successful homeownership. Now, Home*Today* continues with a program that gives anyone, who is ready to learn how to manage their money, the tools and resources necessary to reach their financial Goals - from buying a house, to buying a car, to paying for a child's college education.

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MSDC HomeToday Webinars on Zoom

This **MSDC HomeToday** Seminar is being held via a webinar on zoom. Zoom webinar will not allow us to turn on your sound. The chat is being used for comments to make sure we provide you with quality service and a place to participate in the webinar.

NEED ASSISTANCE: (Send all request/information to hometoday@mustardseedcdc.com)

1. How to receive Credit for attending the Webinar:

All MSDC HT Participant(s) attending the webinar must first open an individual account at www.mustardseedcdc.com before registering for the webinar sessions. Once you have created the account, **please do not open more than one account** for each individual and make sure each person has their own email address. This email will be used as your MSDC account ID to track credits for attending all 4 sessions. As much as possible please attend these sessions, preferably in sequence. All participants applying for a loan must complete at least 1 individual assessment with a **MSDC HT HUD Certified Counselor** to receive your completed **HUD Housing Certificate**. (Counselor determines the number of sessions needed)

A. You will receive your **MSDC HT session reminder invitation** the Friday and Sunday morning by email prior to the webinar.

B. If you are having Zoom issues, the **MSDC HomeToday** staff will not be available after 5:00pm **(Plan ahead)**.

C. If you live in an area where you have a weak internet signal we suggest that you use the Zoom phone numbers provided in the Zoom link. Once you open your registration/reminder notice, the call-in phone numbers will be below your zoom link.

D. Be on time (We recommend that you login at least 10 minutes prior to each MSDC HT Webinar session to make sure you can connect). You must be in each webinar session for at least 1 hour and 40 minutes (100 mins) in order to receive full credit for that session. Each Zoom webinar will lock at 6:15pm and you will **not** be able to re-enter the live webinar session.

2. Multiple people on one device: More than one person can participate in the **MSDC HomeToday** webinar on zoom

by using the same device. For everyone to receive proper credit for attending each session, write the same **attendees'** name as the second attendee watching on the same device each week. Have that attendee provide complete mailing address, telephone number and the individual's email address must be entered in the private zoom chat.

A. Please check how your "device name" is listed prior to logging into the Zoom webinar sessions.

B. If there are multiple people on one device, please place their name, complete mailing address, telephone number and their individual email address of the attendees in the chat. **(Only the host and presenter can see information in the chat.)**

C. If all attendees are not registered, you must send an email to hometoday@mustardseedcdc.com or contact the **MSDC 234-260-2806** and provide the unregistered person(s), name, complete mailing address, phone number and personal email

address. This email must be sent within 24 hours for the attendee(s) to receive credit for the webinar session.

3. Unable to print documents:

A. All Public Libraries provide use of their computers to print/fax/scan documents - fees may apply. If you do not have a way to print the documents and workbook, send an email to hometoday@mustardseedcdc.com and include your name, complete mailing address and place "HT Workbook" in the subject line. You will receive your HT Workbook within 7-10 business days.

4. Time to complete the program:

You will have **12-months** from the date of registration to complete the HomeToday webinar sessions. If you do not complete all four webinar sessions within a **12-month** period, you will need to re-register and attend all four webinar sessions prior to meeting with your HUD Certified Counselor.



DISCLOSURE

HomeToday is a program offered by Third Federal Savings and Loan Association of Cleveland ("Third Federal").

Third Federal does not benefit financially from any referral partner or partnership contacts. Through participation in the HomeToday Program, clients will be able to gain access to training partners or referral partners who offer additional personal money management education, counseling and homeownership training.

Third Federal will not share credit reports or any personal information from loan applications with training partners or referral partners. Training partners or referral partners will be responsible for obtaining credit reports independently if needed.

We will use this personal information to contact you during and after your Home Today training sessions. For more information on how we protect your information, please see our Privacy Policy at www.thirdfederal.com.

HOMETODAY - PURPOSE OF HOMETODAY

Home*Today* is a webinar series that is designed to provide money management skills in connection with the home-buying process and homeownership.

- **ACHIEVE** greater success in how you manage your money
- **CHALLENGES** your mindset and choices around spending and savings
- **ENCOURAGES** you to set and achieve a written plan for your financial goals
- **ENHANCE** your ability to have a productive conversation with bankers, builders, credit bureaus, insurance agents, sellers and other people you might encounter in working toward achieving your goals.
- **PROVIDE** you with an understanding of the Home Buying process
- **OFFER** Down Payment/Closing Costs Assistance opportunities
- **GAIN** access to a HUD certified financial counselor that will increase your ability to be prepared for the loan process.

INFORMATION YOU WILL LEARN:

- Financial Assessment
 - Income
 - Budgeting
 - Savings
 - Credit
- Applying for a loan
 - Qualifications
- Parties involved in the mortgage process
 - Lender
 - Real Estate Agents
 - Appraiser
 - Inspector
 - Title Company
- Maintaining your property
- Foreclosure prevention

HOMETODAY - DOWN PAYMENT AND CLOSING

Understanding How Down Payment Closing Costs Work:

- Each Lender has a Down Payment and Closing Costs estimated percentage requirement that you must meet that will be reviewed by the underwriting department for the mortgage product you select.
- There may be a minimum loan amount or a maximum purchase price depending on the lender.
- During the Pre-Approval process, some lenders may request you demonstrate that you have funds for Down Payment/Closing Costs and where those funds came from prior to letting you know how loan amount you may qualify for.

Please Note:

Lenders may have “lender specific programs” where you can purchase a home with (No) money needed for down payment or closing costs. These programs may require you to have a higher monthly payment and/or decrease the amount of a home you can purchase.

Definition of Down Payment

A **down payment** on a house is the money a buyer pays upfront to complete the real estate transaction. Down payment is typically a percentage of a homes’ purchase price and can range from 3-20% for a primary residence.

Definition of Closing Costs

When buying a house, **closing costs** are the various fees you and the seller pay to service providers that are part of the home buying process. This is usually 3-5% of the purchase price. Home buying costs can include attorney fees, property appraisals, real-estate agent fees, and mortgage fees.

Down Payment and Closing Costs Programs can come as:

- Grants with restrictions
- Grants without restrictions
- Forgivable Grants over time
- Grants for specific locations
- Grants for specific housing developments
- Grants offered by lenders
- Grants offered by the government
- Grants offered by non-profits/employers
- Discount closing costs
- Gifts from family/Seller Concessions

Please Note: If you plan to use a non-lender sponsorship program, you must provide your lender with written Specification prior to signing a purchase agreement.

Each lender has different requirements to receive THEIR Down Payment Assistance (DPA and Closing Cost Funds):

- You must obtain your 1st mortgage from the Lender offering the DPA and you must meet all underwriting guidelines associated with the mortgage products selected.
- The borrower or the purchase property may have to be within a certain geographical area with income restrictions.
- There may be a minimum/maximum loan amount or a maximum purchase price depending on the lender.
- The terms of eligibility for DPA programs are subject to change.
- Some lenders **may** require borrowers to contribute their own funds to purchase a single family/two-family home. Down payment funds can be a combination of borrowers' funds, gift funds, grants or DPA programs.
- Most DPA programs can only be used to purchase an owner-occupied home.
- Some DPA programs may require you to be a first-time home buyer.

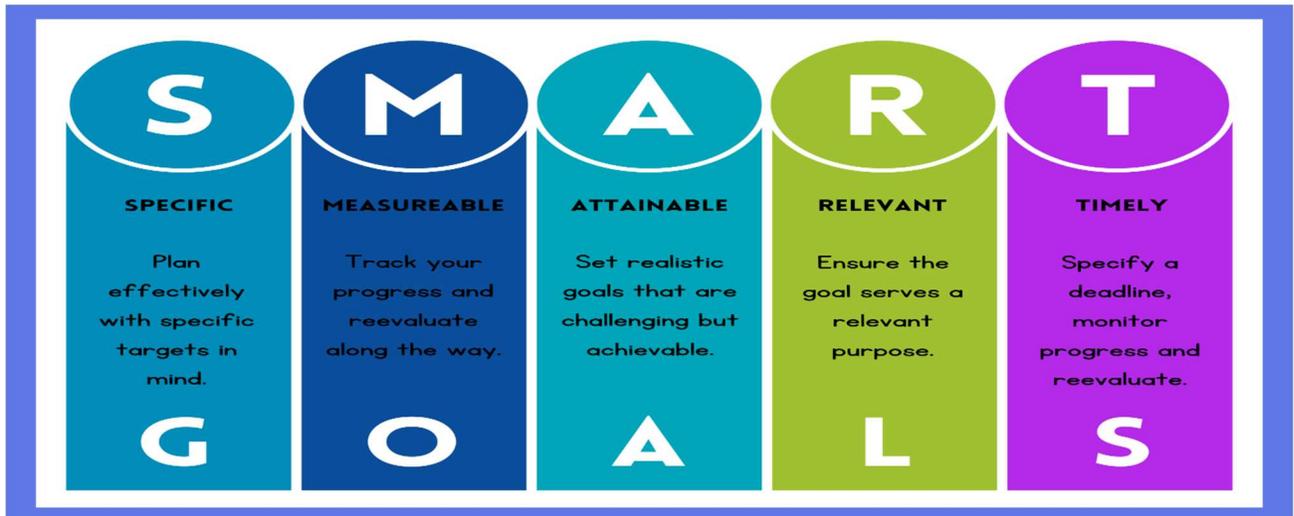
Please Note: Lenders may have “specific programs” that will offer discounts and/or down payment assistance along with providing Home Buyer educational webinars. Contact your lender of choice for details about programs offered.



Session

One

HOMETODAY - WHAT ARE YOUR FINANCIAL



What are your financial goals?

1. _____
2. _____
3. _____

Creating Financial Goal Worksheet

Use this form to write down action steps for your housing goal that will help you achieve your dream of homeownership.

My Dream: _____

	Short-Term: (What part of the goal I will accomplish in the next 1-3 Months/Years)	Mid-Term: (What part of the goal I will accomplish in the next 3-6 Months/Years)	Short-Term: (What part of the goal I will accomplish in the next 6-12 Months/Years)
My Goal:			
Action Plan: (Write down the date that you'll complete each action planning step)			
My Strengths: What I have and what I need to build, personally, to reach my goals?:			
<u>What I'm already doing well:</u>		<u>What I need to develop or work on:</u>	
My World: Who and what is helping me in my life, who and what do I need in my life to reach my goals?:			
<u>What I have:</u>		<u>What I need:</u>	

Calculating Your Income

Why is it important that we understand the different types of income?

- To get a real picture of where your money comes from and how much you have to work with

Take a few minutes and turn to “Adding up your Income Form” on page 7 in the section of your workbook and write down what you know about your income

What income sources can be used to Purchase a Home?

Regular Income

Gross Income Earnings
Social Security/Disability/Pension
Retirement Income
Self-Employment Income

Additional Income

Over time / Part-time Pay
Bonuses, Tips, Alimony and Child Support
Rental Income

Cash Income

Distributions/Annuities

What income sources may not be used to purchase a home?

1. Income Not reported on your Tax Return (being paid under the table, income without a 1099 or W-2).
2. Income Not made within 12-24 months or will not be available 3 years after the loan is closed.
3. 2 years of employment with the likelihood for it to continue for the next 3 years.

Calculating Your Income

INCOME REVIEW WORKSHEET

Monthly Income	Monthly Gross	Monthly Net
Earnings	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
SSI/Pension/Retirement/Benefits	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Self-Employment Income	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Other	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Bonuses	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Tips	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Alimony/Palimony	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Child Support	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Rental/Investment Income	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Family Contributions	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Other	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Annuities	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Other	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Total Monthly Gross & Net Income	(A) <input style="width: 100%;" type="text"/>	(B) <input style="width: 100%;" type="text"/>
Total Yearly Gross & Net Income	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>

Spending Categories Examples

Spending Category Definitions

Food <ul style="list-style-type: none"> ● Groceries, personal items, toiletries ● Lunch money ● Vending machines ● Coffee breaks ● Convenience store items ● Fast food/take-out ● Dining out at restaurants 	Transportation <ul style="list-style-type: none"> ● Auto Insurance ● Oil Changes ● Tire rotation/new tires ● Car repair/maintenance ● Car emissions test ● Car Inspection ● Car Registration ● License Plates/tags ● Gas ● Parking/tolls ● Bus Fare ● Cab Fare 	Dependent Care <ul style="list-style-type: none"> ● Child Care ● After School Programs ● Baby sitters ● Camps ● Allowance for Children ● Respite/Daycare for Elders
Clothing <ul style="list-style-type: none"> ● Adult clothes ● Children clothes ● School/Work Uniforms ● Shoes ● Dry Cleaning ● Laundromat 	Communications <ul style="list-style-type: none"> ● Telephone ● Website Domain/Host ● Internet Service Providers ● Cell Phone/Pager ● Cable/Satellite TV 	Long-term Insurances <ul style="list-style-type: none"> ● Disability Insurance ● Life Insurance
Housing <ul style="list-style-type: none"> ● Saving on a down payment on a home ● Rental Security deposit ● Homeowner/renters insurance ● Parking space at home ● Electricity ● Heat ● Water ● Sewer ● Trash Removal ● Household Furnishings ● Household lines and towels ● House maintenance supplies ● Home repair needs (Plumbing,Etc.) ● Seasonal cleaning (gutters, windows,etc) ● Pest Control ● Cleanings supplies ● Landscaping/snow removal ● Lawn care and garden supplies/tools 	Education <ul style="list-style-type: none"> ● School Tuition ● Tutoring ● School fees/field trips ● School books/supplies ● School Extracurricular activities ● Lessons ● Hobbies ● Newspapers ● Magazines ● Books 	Medical <ul style="list-style-type: none"> ● Medical Insurance (Co-pays) ● Doctor fees/ family medical ● Doctor fees/pediatrician ● Doctor fees/ other ● Dental Insurances ● Dental Fees ● Vision Insurances ● Eye glasses /contacts lens exam ● Eye glasses or contact lens ● Medication / Pharmacy ● Medical Health Counseling
Personal Items <ul style="list-style-type: none"> ● Tobacco ● Alcoholic Beverages ● Personal Care Items ● Hair stylist/barber ● Beauty appointments/nails 	Recreation & Leisure <ul style="list-style-type: none"> ● Sporting Events ● Hobbies ● Movies (Theater, rentals, DVDs) ● Music Purchases (CDCs etc.) ● Bars ● Theaters performances/concerts ● Lottery tickets ● Athletic club/gym ● Travel/Vacation ● Lessons 	Gifts <ul style="list-style-type: none"> ● Church Donations ● Charites ● Birthdays ● Flowers ● Other/Miscellaneous holidays ● Christmas/Holidays gifts ● Bridal/Showers/Anniversary's
Debt Payments <ul style="list-style-type: none"> ● Auto Loans / Leases ● House Loans/ Mortgage ● House Loan/Rental options ● Credit Cards ● Student Loans ● Legal Judgements ● Alimony/Child Support 	Other Living Expenses <ul style="list-style-type: none"> ● Postage ● Checking account fees ● Check Cashing Fees ● Photograph prints/Family Pictures ● Pet Supplies/Grooming ● Veterinarian ● Club Dues ● Memberships 	Rent <ul style="list-style-type: none"> ● Monthly Rental Payments

Understanding Occasional Expenses

Occasional Expenses Estimate Chart													Total
Items	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
CAR													
License													
Inspections													
Maintenance													
Insurances													
Tickets													
Parking													
HOME													
Yard													
Insurances													
Furnishings													
Gifts/Cards													
Holidays													
Travel													
Enteraining													
EDUCATION													
Fees/Tuition													
Supplies/Books													
Class trips													
School Pictures/Mis													
MEDICAL													
Doctor Visits													
Dental Visits													
Vision													
Prescriptions													
DUES/SCUBSCRIPTIONS													
Magazine/Newspapers													
CDs, DVDs, Book Clubs													
Memberships/Clubs													
OTHER													
Clothing/shoes Adult													
Clothing/shoes Child													
other													
TOTALS													
MONTHLY BUDGET AMOUNTS: Divide the yearly total (last column on the right) by 12 to get the amount to budget monthly for occasional expenses. Enter the number in the box to the right.													

* Chart adapted from the Ohio State University Extension "Manage Your Money" worksheets

Participants Name: _____

Tracking Your Spending: Week 1

	Net Income	
SUMMARY SPENDING CHART		Week 1
Food	+	
Clothing	+	
Housing/Utilities	+	
Rent/Mortgage	+	
Medical	+	
Transportation	+	
Communications	+	
Education	+	
Recreation & Leisure	+	
Dependant Care	+	
Long-term Insurance	+	
Personal Items	+	
Gifts	+	
Other Living Expenses	+	
Savings	+	
Debt Payments	+	
TOTAL EXPENSES	=	
	Remaining \$	

Questions:

1. What did you learn from tracking your spending this week?
2. In what ways do you think you are spending your money wisely right now?
3. What three things do you want to do differently regarding your spending?
4. What behaviors/attitudes did you notice during the week?

Participants Name: _____

Tracking Your Spending: Week 2

	Net Income	
SUMMARY SPENDING CHART		Week 2
Food	+	
Clothing	+	
Housing/Utilities	+	
Rent/Mortgage	+	
Medical	+	
Transportation	+	
Communications	+	
Education	+	
Recreation & Leisure	+	
Dependant Care	+	
Long-term Insurance	+	
Personal Items	+	
Gifts	+	
Other Living Expenses	+	
Savings	+	
Debt Payments	+	
TOTAL EXPENSES	=	
	Remaining \$	

Questions:

1. What did you learn from tracking your spending this week?
2. In what ways do you think you are spending your money wisely right now?
3. What three things do you want to do differently regarding your spending?
4. What behaviors/attitudes did you notice during the week?

Participants Name: _____

Tracking Your Spending: Week 3

	Net Income	
SUMMARY SPENDING CHART		Week 3
Food	+	
Clothing	+	
Housing/Utilities	+	
Rent/Mortgage	+	
Medical	+	
Transportation	+	
Communications	+	
Education	+	
Recreation & Leisure	+	
Dependant Care	+	
Long-term Insurance	+	
Personal Items	+	
Gifts	+	
Other Living Expenses	+	
Savings	+	
Debt Payments	+	
TOTAL EXPENSES	=	
	Remaining \$	

Questions:

1. What did you learn from tracking your spending this week?
2. In what ways do you think you are spending your money wisely right now?
3. What three things do you want to do differently regarding your spending?
4. What behaviors/attitudes did you notice during the week?

Participants Name: _____

Tracking Your Spending: Week 4

	Net Income	
SUMMARY SPENDING CHART		Week 4
Food	+	
Clothing	+	
Housing/Utilities	+	
Rent/Mortgage	+	
Medical	+	
Transportation	+	
Communications	+	
Education	+	
Recreation & Leisure	+	
Dependant Care	+	
Long-term Insurance	+	
Personal Items	+	
Gifts	+	
Other Living Expenses	+	
Savings	+	
Debt Payments	+	
TOTAL EXPENSES	=	
	Remaining \$	

Questions:

1. What did you learn from tracking your spending this week?
2. In what ways do you think you are spending your money wisely right now?
3. What three things do you want to do differently regarding your spending?
4. What behaviors/attitudes did you notice during the week?

Participants Name: _____

Tracking Your Spending Weeks 1-4 Monthly Summary

Net Income						
Summary Spending Chart		Week 1	Week 2	Week 3	Week 4	Total
Food	+					
Clothing	+					
Housing/Utilities	+					
Rent/Mortgage	+					
Medical	+					
Transportation	+					
Communications	+					
Education	+					
Recreation & Leisure	+					
Dependant Care	+					
Long-term Insurance	+					
Personal Items	+					
Gifts	+					
Other Living Expenses	+					
Savings	+					
Debt Payments	+					
TOTAL EXPENSES	=					
Remaining \$						

***** Take these "Tracking Your Spending" Worksheets with you to your Individual Assessment with your Counselor*****



Mustard Seed
Development Center

IDENTIFYING MY EXPENSE CATEGORIES

Order of Importance Categories

New Order of Importance

<input type="text"/>	1	HOUSING	1	<input type="text"/>
<input type="text"/>	2	FOOD	2	<input type="text"/>
<input type="text"/>	3	TRANSPORTATION	3	<input type="text"/>
<input type="text"/>	4	DEBT PAYMENT	4	<input type="text"/>
<input type="text"/>	5	MEDICAL	5	<input type="text"/>
<input type="text"/>	6	EDUCATION	6	<input type="text"/>
<input type="text"/>	7	INSURANCE/LONG TERM INSURANCE	7	<input type="text"/>
<input type="text"/>	8	COMMUNICATION	8	<input type="text"/>
<input type="text"/>	9	DEPENDENT CARE	9	<input type="text"/>
<input type="text"/>	10	CLOTHING	10	<input type="text"/>
<input type="text"/>	11	PERSONAL EXPENSES	11	<input type="text"/>
<input type="text"/>	12	RECREATION/LEISURE	12	<input type="text"/>
<input type="text"/>	13	OTHER LIVING EXPENSES	13	<input type="text"/>
<input type="text"/>	14	GIFTS	14	<input type="text"/>
<input type="text"/>	15	RENTAL PAYMENTS	15	<input type="text"/>
<input type="text"/>	16	Other	16	<input type="text"/>

SUGGESTION FOR APPS THAT ASSIST WITH TRACKING YOUR SPENDING



NerdWallet



Rocket Money - Bills & Budgets



EveryDollar

Please note some apps may charge a fee. Do your homework and see which app works best for you and your family.

DOCUMENTS NEEDED

▶ Income Verification Documents

- Pay Stubs (30 days pay history with YTD totals)
- Award Letters
- Tax Returns for two consecutive Years (3 years for self-employed)

▶ Bank Statements

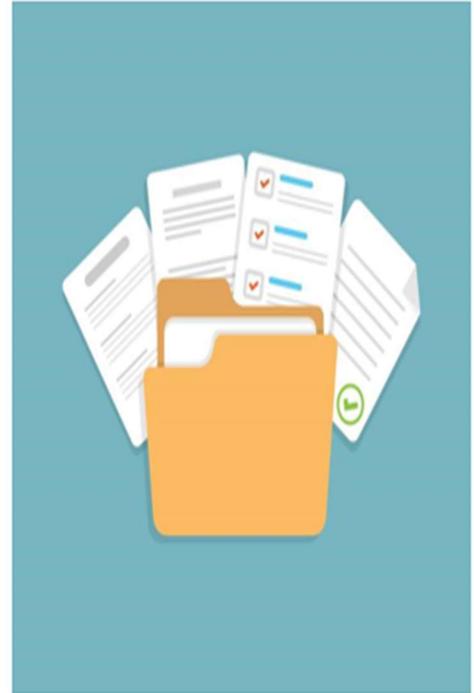
- For three consecutive months (Must have all pages including blank pages)

▶ Paid in Full Letters

▶ Legal Documents

- Bankruptcy Documents to include Discharge Letter
- Divorce Documents
- Military Documents (DD0214, COE from 26-1880 etc.)

▶ Non-Traditional Documents (any accounts you make monthly Payments to)



HOMETODAY -

WHAT CAN I AFFORD?

Debt to Income Ratios

Lenders calculate what they will allow a homebuyer to have as a monthly mortgage payment by using a Debt-to-Income ratio. Using the percentage of your monthly gross income compared to the total amount of the monthly debt the homebuyer pays.

There are two ratios used to calculate the Housing Payment affordability:

1. Total Debt Ratio - **Back End Ratio**

The calculation used to determine the Total Allowable Debt. This includes monthly payment of:

- Credit Card
- Personal/Secure Loan
- Child Support/Alimony
- Student Loans
- New Mortgage Payment (Principal/Interest, Property Taxes, Insurances, Association Fees)

2. Housing Ratio - **Front End Ratio**

The calculation used to determine the maximum amount allowed for the monthly mortgage payment.

Debt to Income Ratios

TOTAL GROSS & NET INCOME (A) \$ _____ (B) \$ _____

Total **Debt Ratio** of 0.40 \times (A)

Monthly Gross Income = \$ _____

Total **Housing Ratio** of 0.30 \times (A)

Monthly Gross Income = \$ _____

Total Debt Ratio: = \$ _____

Subtract Total Debt Payments from Total

Debt Ratio: = \$ _____

New Housing Payment: = \$ _____

Mortgage Payment Table

Loan Amount	4% Rate	5% Rate	6% Rate	7% Rate	8% Rate
\$100,000	\$477.42	\$536.82	\$599.55	\$665.30	\$733.76
\$125,000	\$596.77	\$671.03	\$749.44	\$831.63	\$917.21
\$150,000	\$716.12	\$805.23	\$899.33	\$997.95	\$1,100.65
\$175,000	\$835.48	\$939.44	\$1,049.21	\$1,164.28	\$1,284.09
\$200,000	\$954.83	\$1,073.64	\$1,199.10	\$1,330.60	\$1,467.53
\$225,000	\$1,074.18	\$1,207.85	\$1,348.99	\$1,496.93	\$1,650.97
\$250,000	\$1,193.54	\$1,342.05	\$1,498.88	\$1,663.26	\$1,834.41
\$275,000	\$1,312.89	\$1,476.26	\$1,648.76	\$1,829.58	\$2,017.85
\$300,000	\$1,432.25	\$1,610.46	\$1,798.65	\$1,995.91	\$2,201.29

Homework Assignment for Week One:

- Start tracking your spending and completing the worksheet on pages 12-16.
(Week 1, Week 2, Week 3, Week 4, total for the Month)
- Complete and review your monthly gross and net income.
- Collect all your household expenses and statements to prepare for your individual counseling assessment.
- Start gathering important documents needed to apply for the loan.

For next week, bring your results for tracking your spending Week I.



Session

Two

Top 10 Money Management Pitfalls

Check Those Boxes the apply to your current situations:

- 1. No written spending plans
- 2. No cash reserves
- 3. Too much use of credit
- 4. Non-constructive use of windfalls
- 5. No provision for large expenses
- 6. Underestimating the cost of ownership
- 7. Careless shopping habits /Spending leaks
- 8. Not checking on what you have, then spend money on things you don't need
- 9. Not saving small amounts
- 10. **Can't wait. Got to have it NOW!**

The Importance of Creating a Spending Plan

What is a spending plan?

- A method that will help you plan how to spend your money
- A method that can be used to track how you spent your money

Why is a spending plan important?

- ▶ Let's you control your money
- ▶ Measures if you're living within your means
- ▶ Helps you meet your financial goals
- ▶ Helps your entire family focus on a common goal
- ▶ Helps you prepare for emergencies
- ▶ Prevents or reduces impulse spending
- ▶ Helps reduce stress

Types of Household Expenses

What are "Fixed Expenses"?

Most Fixed Expenses are obligations that occur every month.

Here are other ways to identify Fixed Expenses.

- Expenses for household costs each month/year.

What are "Variable Expenses"?

Many Variable Expenses represent those daily spending decisions you can make outside of a spending plan. Variable costs are usually the first expenses that people try to cut when they need to save money.

- Expenses that fulfill a desire or want.

What are "Occasional Expenses"?

Occasional Expenses can be Fixed Expense and/or Variable Expense:

- An expense that comes up during the year that can be an unexpected cost, an event expense or activity not planned
- An expense that can be a tradition or celebration within the year

What are some examples of occasional expenses in your household budget?

What are "Needs vs. Wants"?

A Need is something you or your family must have in order to live a safe, and healthy life.

A Want is something that you or your family enjoys

RENT

\$750 A MONTH = \$9,000.00

Staying there for 3 years = \$27,000

Staying there for 5 years = \$45,000

Staying there for 10 years = \$90,000

EATING OUT WEEKLY

Family of 3-4

Eating out 1 meal a week = \$60.00

Eating out 1 meal a week for 1 year = \$3,120.00

Reduce eating out weekly to once a month. Eating out 1 meal a month for 1 year = \$720.00

Savings of \$2,400.00 a year

STREAMING FEATURES

Hulu \$19.20

Netflix \$16.54

Prime (Amazon) \$10.66

Paramount \$ 7.25

Apple TV \$11.73

ESPN \$ 8.91

Roku \$10.66

Amazon \$17.07

Amazon \$16.00

Monthly Total Streaming \$118.00

Cable \$274.00

Internet \$ 74.00

Total Cable \$348.00

Streaming & Cable \$466.00

BUYING THINGS, WE DON'T NEED

1. New Clothes/Shoes/Purses each month
2. Paying for features on our Phone we don't use
3. Over Buying Groceries we have at home
4. Buying the latest gadgets

Emergency Expenses for a Spending Plan

The Department of Housing and Urban Development, HUD, recommends creating an Emergency Preparedness Guide to successfully manage Household, Business and Personal Emergencies and Public Disasters.

HUD EMERGENCY PREPAREDNESS GUIDE:

<https://files.hudexchange.info/resources/documents/Emergency-Preparedness-Guide-for-Housing-Counseling-Agencies.pdf>

HOUSING COUNSELING DISASTER PLANNING, RESPONSE TOOLKIT:

<https://www.hudexchange.info/programs/housing-counseling/housing-counseling-disaster-recovery-toolkit/preparing/>

BUILDING AN EMERGENCY CHECKLIST FOR PARENTS:

https://www.ready.gov/sites/default/files/2019-06/emergency_checklist_parents.pdf

Go to HUD.gov to find these documents.

Money Choices & Money Tips

MONEY CHOICES

In what ways are you managing your money well?

What or who helps you to manage your money well?

In what ways are you struggling in managing your money?

What are your biggest challenges in managing your money?

What would you like to spend more money on?

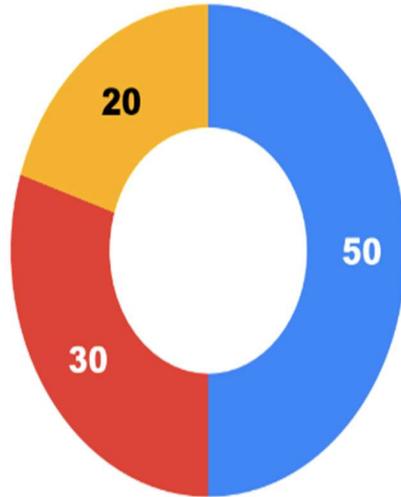
What would you like to spend less money on?

TIPS FOR CREATING A SPENDING PLAN

- Know how much you have to spend every month (Income)
- Know how you spend your money (track your spending)
- Set Spending and savings goals; with an eye to your long-term future
- Identify big expenses as far in advance as possible so you have time to prepare for them
- Pay yourself first (put money into your savings first, every month)
- Keep your financial records organized
- Be honest with yourself and your money
- Look for spending "leaks" – places where your money seems to "Evaporate"
- Use the tables and exercise in this book to write out your spending plan and refer to it often, update as needed.

50-30-20 Budgeting Rule

● Needs ● Wants ● Savings



Needs (50%)

- Housing/ Rent
- Food/ Groceries
- Transportation
- Bills & Utilities



Wants (30%)

- Dining Out
- Shopping
- Entertainment
- Travel



Savings (20%)

- Savings
- Emergency fund
- Loan Repayment

Where Does Your Money Go?

Monthly Net Income

Paying Off Long-Term Debt

Auto Payment (s)		
Mortgage		
Credit Card(s)		
Student Loans		
Other Debt		% of \$

Total Long-Term Debt

Living Expenses

Food		
Clothing		
Housing/Utilities		
Rent/Mortgage		
Medical		
Transportation		
Communications		
Education		
Recreation & Leisure		
Dependant Care		
Long-term Insurance		
Personal Items		
Gifts		
Other Living Expenses		% of \$

Total Living Expenses

Savings

Unexpected Expenses		
Home Purchase Fund		
Savings 1		
Savings 2		% of \$

Total Savings

% of \$

Total Expenses:

Percentage of Income You're Paying Towards Expenses

Paying Off Long-Term Debt	_____
Total Living Expenses	_____
Total Savings	_____

Homework Assignment for Week 2

- Continue to track your spending for the next 2 weeks
- Continue reviewing where your money is going
- Pull your credit report from one of the credit reporting agencies listed below or by using a credit reporting app www.annualcreditreport.com or www.myfico.com (Fee may apply)
- Go to www.HUD.gov and look up [HUD PREPAREDNESS GUIDE](#)



Session Three

Why Is Credit Important**Why is credit Important to a Lender?**

Credit establishes a history of a borrower on how they repay their debts

The way credit can benefit a borrower

- Allows us to make large purchases
- For convenience
- For employment
- To rent an apartment
- For insurance (Auto, Home etc.)



Some Lenders base their debt-to-income ratio based on risk. When you apply for the Mortgage Loan, Lender will determine what product you would be eligible to use by using the following information:

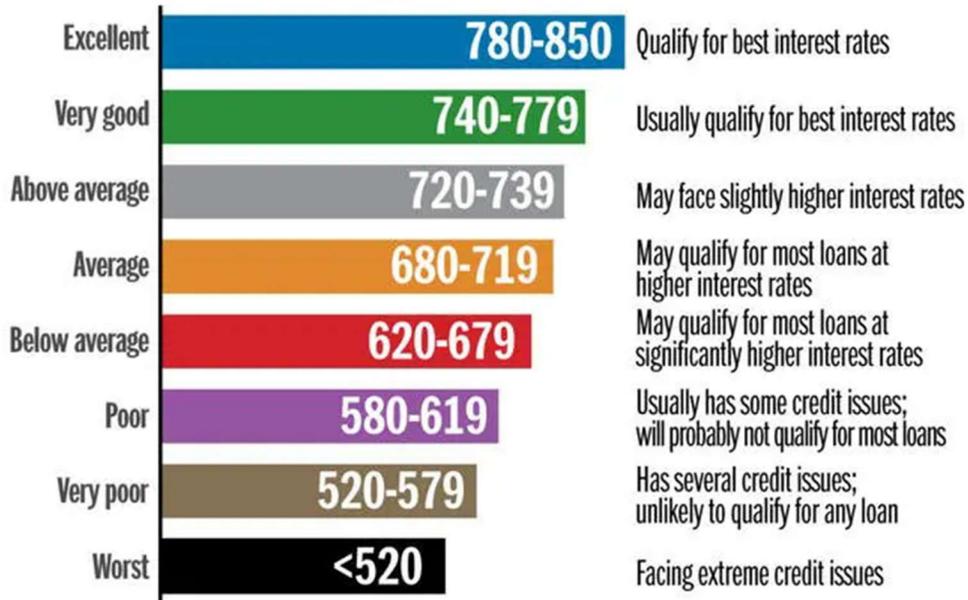
1. What is the middle number for your credit scores.

650	688	655
Experian	Transunion	Equifax

2. How much funds you have save to purchase a home
3. How long you have been on the Job

The bank is going to use the middle credit score. In this case the middle credit score is 655, If a joint application the bank will use the lowest middle score of the two applicants.

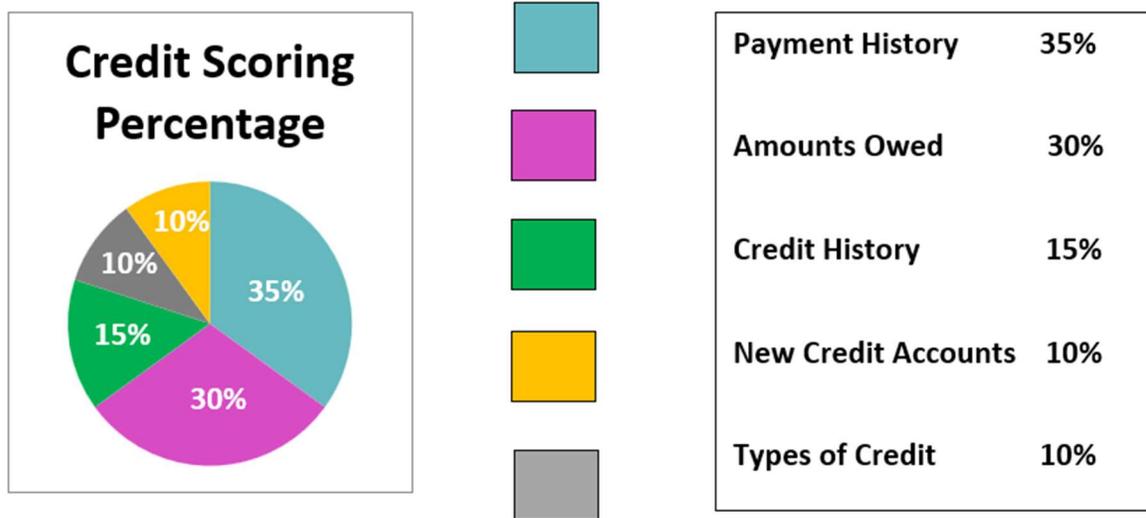
Credit score range (FICO CLASSIC AND FICO 8 – RANGE 300-850)



SOURCE: Al Bingham

DESERET NEWS GRAPHIC

Things That Can Affect My Credit Scores



1. _____
2. _____
3. _____

My Credit Report

Many Housing Counselors have supported homebuyers in using Credit Karma and other Apps to monitor and gain options available to increase your credit scores.

Please keep in mind that this method of reviewing credit reports is not the same report reviewed by lenders, and you will need a tri-merge credit report to prepare for the loan process.

In order to get a better assessment, we recommend you contact a HUD Approved Agency and work with a HUD Certified Counselor to guide you through the process.

To apply for your free credit report, go to:

www.annualcreditreport.com

1-877-322-8228

Or

www.creditkarma.com

Or

Experian.com (Boost)

Or

Myfico.com

How to Resolve Outstanding Debt? Using Credit Score Apps to Review

Work with a HUD Approved Counseling Agency

1. Collect all statements and notices pertaining to unpaid debt
2. Identify personal resources of funds that can be used to pay off debt
 - a. Assets and personal items willing to be sold
3. Be prepared to review current household budget

Work with your creditors to pay off your debt

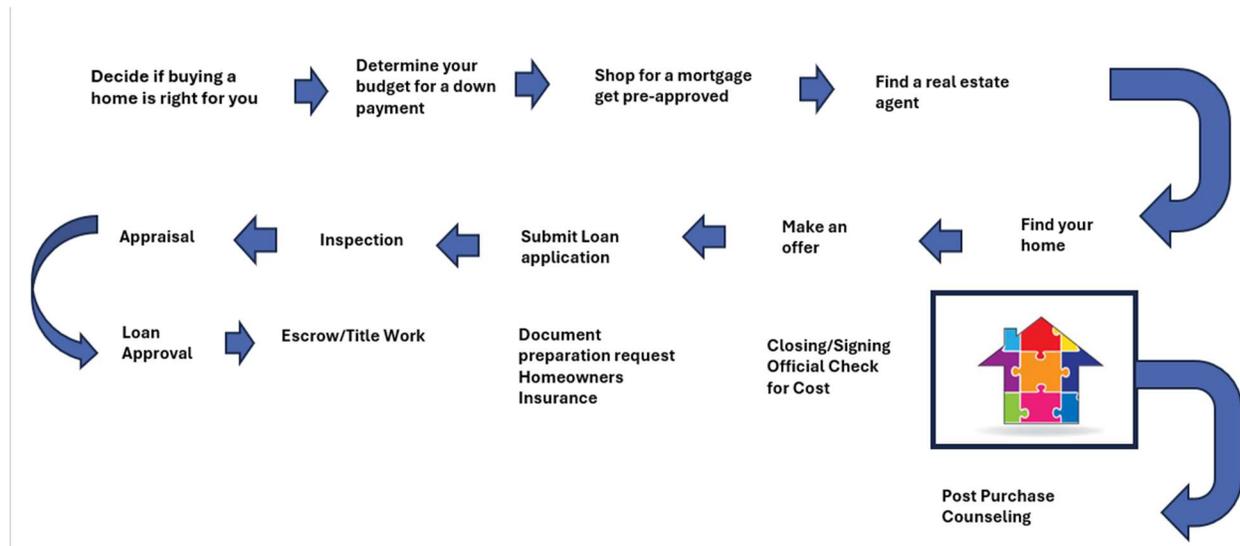
1. Obtain possible contact information from credit report
2. Write down suggestions on what to prepare for when speaking to a past due creditor
3. Identify what caused the debt to not be paid or delinquent
4. Seek settlement arrangements

What choices should we make to boost our own financial health?

1. Resolve credit issues – unpaid balances and delinquent accounts
2. Limit opening new credit accounts – try to have a minimum of 3 open tradelines
3. Keep revolving credit card balances under 33% of limit amount
4. Save for emergencies and future goals – Build your assets
5. Understand the stability of your income – employment and other benefits
6. Ask for Help, when you need it

Tips for Raising Your Credit Scores

1. Pay all your bills on time – include accounts that are not reported on the credit bureau
2. Be aware that paying off a collection item will not remove the item from your credit report
3. If you have trouble paying your bills, contact your creditors or see a legitimate credit counseling agency
4. Keep balances low on credit cards and other revolving credit
5. Do not have too many credit cards, and do not use the maximum credit limits on any of them
6. Pay off debt rather than moving it around
7. Don't close unused credit cards as a short-term strategy to raise your score. Use them at least 6 times throughout the year to keep accounts active and pay off balances at the end of each month



There are two types of interest rates:

- ▶ **Fixed Rate** means that the interest rate will remain the same for the term of the loan
- ▶ **Adjustable Rate** means that the rate changes periodically as the economic climate changes

Use Caution when considering an Adjustable Rate vs. a Fixed Rate:

A loan contains five basic parts:

1. Term (length of the loan)
2. Interest Rate (adjustable or fixed)
3. Points (pre-paid interest at closing)
4. Closing Costs (fees for processing the loan)
5. Down Payment (buyer's financial contribution towards purchasing the home)

A monthly payment includes:

P and I (Principal and Interest)

The amount you borrowed and the cost of financing the loan.

T (Property Taxes)

Most banks will collect a portion of your property taxes due
(property tax can change)

I (Homeowner's and Mortgage Insurance)

The bank may collect your Homeowners Insurance premium monthly, but not in all cases. If required, the bank will collect your PMI premium.

Pre-Qualification

Is an informal way to determine how much you may be able to borrow? Without any obligation, this helps you arrive at an estimate of the amount you may have available to spend on a home.

Pre-Approval

Is a lender's actual commitment to lend to you? It involves getting together your financial records and going through the first step of an approval process. Pre-approvals will let your seller know you are serious.

~~**Pre-Qualification**~~

~~Is an informal way to determine how much you may be able to borrow. Without any obligation, to help you determine a ballpark figure of the amount you may have available to spend~~

Pre-Approval

Is a lender's actual commitment to lend to you? It involves getting together your financial records and going through the first step of an approval process. Pre-approvals will let your seller know you are serious.

Make sure you compare Interest Rates to Interest Rates and APR to APR

Interest Rate

The proportion of a loan that is charged as interest to the borrower, based on the outstanding loan amount.

The Annual Percentage Rate (APR)

The proportion of a loan that is charged as interest to the borrower, based on the outstanding loan amount including any points, fees and closing costs.

Conventional vs FHA Loan Comparison

Feature	Conventional Loan	FHA Loan
Minimum Down Payment	3% (for first-time buyers)	3.5%
Credit Score Requirement	Typically, 620+	580+ (with 3.5% down)
Mortgage Insurance	Required if <20% down; can be removed	Required; lasts for life unless refinanced
Loan Limits	Varies by county; generally higher	Set by FHA; usually lower
Property Standards	Standard appraisal	Strict FHA property standards
Interest Rates	Often slightly higher for lower credit	Often lower for weaker credit
Who It's Best For	Borrowers with good credit and higher down payment	Borrowers with lower credit or smaller down payment

Amortization Schedule

Mortgage Summary Loan amount \$150,000 for a 30-year term at an interest rate of 5.61% with monthly payments \$862.06

Year	Total Payments	Principal Paid	Interest Paid	Ending Principal Balance
				\$150,000.00
1	\$10,344.72	\$1,980.12	\$8,364.60	\$148,019.88
2	\$10,344.72	\$2,094.10	\$8,250.62	\$145,925.78
3	\$10,344.72	\$2,214.65	\$8,130.07	\$143,711.13
4	\$10,344.72	\$2,342.12	\$8,002.60	\$141,369.01
5	\$10,344.72	\$2,476.97	\$7,867.75	\$138,892.04
6	\$10,344.72	\$2,619.56	\$7,725.16	\$136,272.48
7	\$10,344.72	\$2,770.34	\$7,574.38	\$133,502.14
8	\$10,344.72	\$2,929.82	\$7,414.90	\$130,572.32
9	\$10,344.72	\$3,098.47	\$7,246.25	\$127,473.85
10	\$10,344.72	\$3,276.84	\$7,067.88	\$124,197.01
11	\$10,344.72	\$3,465.48	\$6,879.24	\$120,731.53
12	\$10,344.72	\$3,664.97	\$6,679.75	\$117,066.56
13	\$10,344.72	\$3,875.93	\$6,468.79	\$113,190.63
14	\$10,344.72	\$4,099.05	\$6,245.67	\$109,091.58
15	\$10,344.72	\$4,335.03	\$6,009.69	\$104,756.55
16	\$10,344.72	\$4,584.55	\$5,760.17	\$100,172.00
17	\$10,344.72	\$4,848.49	\$5,496.23	\$95,323.51
18	\$10,344.72	\$5,127.56	\$5,217.16	\$90,195.95
19	\$10,344.72	\$5,422.74	\$4,921.98	\$84,773.21
20	\$10,344.72	\$5,734.90	\$4,609.82	\$79,038.31
21	\$10,344.72	\$6,065.04	\$4,279.68	\$72,973.27
22	\$10,344.72	\$6,414.17	\$3,930.55	\$66,559.10
23	\$10,344.72	\$6,783.41	\$3,561.31	\$59,775.69
24	\$10,344.72	\$7,173.91	\$3,170.81	\$52,601.78
25	\$10,344.72	\$7,586.87	\$2,757.85	\$45,014.91
26	\$10,344.72	\$8,023.62	\$2,321.10	\$36,991.29
27	\$10,344.72	\$8,485.49	\$1,859.23	\$28,505.80
28	\$10,344.72	\$8,973.95	\$1,370.77	\$19,531.85
29	\$10,344.72	\$9,490.53	\$854.19	\$10,041.32
30	\$10,349.15	\$10,041.32	\$307.83	\$0.00

<https://www.dinkytown.net/java/mortgage-calculator.html>

Closing Cost Comparison Worksheet

Lenders charge all kinds of fees, called closing costs, for loans. The long list may overwhelm you at first. Hang on to your hat—and your wallet. You may not have to pay all these fees. Many are negotiable (if not with the lender, then with the title company or closer).

Use this worksheet to compare closing costs. When you walk into a lender's office with this worksheet, the loan officer will take you seriously!

Mortgage One:

Name of Lender:	
Name of Contact:	
Date of Contact:	
Mortgage Amount:	

Mortgage Two:

Name of Lender:	
Name of Contact:	
Date of Contact:	
Mortgage Amount:	

Mortgage Three:

Name of Lender:	
Name of Contact:	
Date of Contact:	
Mortgage Amount:	

Basic Information on the Loans:

	Mortgage One	Mortgage Two	Mortgage Three
Type of mortgage: fixed rate, adjustable rate, conventional, FHA, other? If adjustable, see below			
Minimum down payment required			
Loan term (length of loan)			
Contract interest rate			
Annual percentage rate (APR)			
Points (may be called loan discount points)			
Monthly Private Mortgage Insurance (PMI) premiums			
How long must you keep PMI?			
Estimated monthly escrow for taxes and hazard insurance			
Estimated monthly payment (Principal, Interest, Taxes, Insurance, PMI)			

Fees:

	Mortgage One	Mortgage Two	Mortgage Three
Application fee or Loan processing fee			
Origination fee or Underwriting fee			
Lender fee or Funding fee			
Appraisal fee			
Attorney fees			
Document preparation and recording fees			
Broker fees (may be quoted as points, origination fees, or interest rate add-on)			
Credit report fee			
Other fees			

Other Costs at Closing/Settlement

	Mortgage One	Mortgage Two	Mortgage Three
Title Search/Title Insurance (For Lender)			
Title Search/Title Insurance (For You)			
Estimated prepaid amounts for interest, taxes, hazard insurance, payments to escrow			
State and local taxes, stamp taxes, transfer taxes			
Flood determination			
Prepaid Private Mortgage Insurance (PMI)			
Surveys and home inspections			

Total Fees and Other Closing/Settlement Costs

--	--	--	--

Other Questions and Considerations about the Loan

	Mortgage One	Mortgage Two	Mortgage Three
Are any of the fees or costs waivable?			

Prepayment Penalties

Is there a prepayment penalty?			
If so, how much is it?			
How long does the penalty period last? (for example, 3 years? 5 years?)			
Are extra principal payments allowed?			

Lock-Ins

Is the lock-in agreement in writing?			
Is there a fee to lock-in?			
When does the lock-in occur—at application, approval, or another time?			
How long will the lock-in last?			
If the rate drops before closing, can you lock-in at a lower rate?			

If the Loan Is an Adjustable Rate Mortgage:

What is the initial rate?			
What is the maximum the rate could be next year?			
What are the rate and payment caps each year and over the life of the loan?			
What is the frequency of rate change and of any changes to the monthly payment?			
What is the index that the lender will use?			
What margin will the lender add to the index?			

Credit Life Insurance

Does the monthly amount quoted to you include a charge for credit life insurance?			
If so, does the lender require credit life insurance as a condition of the loan?			
How much does the credit life insurance cost?			
How much lower would your monthly payment be without the credit life insurance?			
If the lender does not require credit life insurance, and you still want to buy it, what rates can you get from other insurance providers?			

Required Loan Documents



DOCUMENT CHECK LIST FOR ASSESSMENT AND LOAN APPLICATION

Assessment	Loan App		
<input type="checkbox"/>	<input type="checkbox"/>	1	Most recent month of 30 days of income documents (pay stubs, 1099, award letters, etc.)
<input type="checkbox"/>	<input type="checkbox"/>	2	Copy of Drivers Licenses
<input type="checkbox"/>	<input type="checkbox"/>	3	3-Months of Bank Statements. (Provide all pages) (For Housing Counseling Mark Out Account # on each page)
<input type="checkbox"/>	<input type="checkbox"/>	4	Agency/Lender OR Enrollment/Application Documents
	<input type="checkbox"/>	<input type="checkbox"/>	Enrollment/Application Documents
	<input type="checkbox"/>	<input type="checkbox"/>	Credit/Authorization Form
	<input type="checkbox"/>	<input type="checkbox"/>	Budget Form and/or List of credit accounts
<input type="checkbox"/>	<input type="checkbox"/>	5	Copy of "HomeToday Tracking Your Spending Worksheets"
<input type="checkbox"/>	<input type="checkbox"/>	6	Three years of Tax Returns (For Self-Employed Applications)
<input type="checkbox"/>	<input type="checkbox"/>	7	Legal Documents to Include:
	<input type="checkbox"/>	<input type="checkbox"/>	Divorce Documents (Can keep somethings private)
	<input type="checkbox"/>	<input type="checkbox"/>	Bankruptcy Documents (Chap 7 bring Discharge Letter and Chap 13 Dismissed Letter)

Note: This list was created by MSDC. Lenders and Other Counseling Agencies may require additional documents.

HOMETODAY - WORKING WITH HOUSING PROFESSIONALS

Fair Housing – It's Your Right

The Fair Housing Act protects people from discrimination when they are renting, buying or securing financing for any housing. The prohibitions specifically cover discrimination because of race, color, national origin, religion, sex, disability and the presence of children.

The Fair Housing Act covers most housing. In some circumstances, the Act exempts owner-occupied building with no more than four units, single-family housing sold or rented without the use of a broker, and housing operated by organizations and private clubs that limit occupancy to members.

If you are shopping for a mortgage, **lenders must:**

- Consider reliable public assistance income the same way as other income.
- Consider reliable income from part-time employment, Social Security, pensions, and annuities.
- Consider reliable alimony, child support, or separate maintenance payments, if you choose to provide this information. A lender may ask for proof that you receive this income consistently.
- Accept someone other than your spouse as a co-signer if a co-signer is needed. If you own the property with your spouse, he or she may be asked to sign documents that permit you to mortgage the property.

In addition, **must not:**

- Discourage you from applying for a mortgage or reject your application because of your race, color, religion, national origin, sex, marital status, or age, or because you get public assistance.
- Consider your sex, race, or national origin, although you will be asked to disclose this information voluntarily to help federal agencies enforce anti-discrimination laws. However, a creditor may consider your immigration status and whether you have the right to remain in the country long enough to repay the debt.
- Impose different terms or conditions on a loan — like a higher interest rate or larger down payment — based on your sex, race, or other forbidden factors.
- Discourage you from buying because of the racial make-up of the neighborhood where you want to live or ask about your plans for having a family, although they can ask questions about expenses related to your dependents.
- Require a co-signer if you meet the lender's requirements.

Under the Fair Housing Act ("FHA") (Title VIII of the Civil Rights Act of 1968), it is "unlawful for any person or other entity whose business includes engaging in residential real estate-related transactions to discriminate against any person in making available such a transaction, or in the terms or conditions of such a transaction, because of race, color, religion, sex, handicap, familial status, or national origin." 42 U.S.C. § 3605. Section 3605, although not specifically naming foreclosures, discrimination in "the manner in which a lending institution forecloses a delinquent or defaulted mortgage note" falls under the realm of the "terms or conditions of such loan." Harper v. Union Savings Association, 429 SUPP. 1254, 1258-59 (N.D. Ohio 1977). The [Office of Fair Housing and Equal Opportunity](#) is charged with administering and enforcing the [Fair Housing Act](#). Any person who feels that they have faced lending discrimination can file a fair housing [complaint with:](#)

1. Fair Housing agency in your area
2. www.HUD.Gov under Fair Housing

Shop for A Real Estate Professional



What is a Real Estate Agent?

A Real Estate Agent is a trained professional that understands the Real Estate Professional process and procedures. Selecting to work with a Real Estate Agent can be a very important partnership that can save you money and can avoid you from being taken advantage of.

There are many ways to purchase a home:

Real Estate Agents

1. Work with a Seller's Agent
2. Work with a Buyer's Agent
3. Work with a Dual Agent

*Other Housing Professionals

4. Work with For-Sale-by- Owner
5. Work with Developers
6. Work with Non-Profits/CDC Organizations

Real Estate Professionals typically receive commission from the seller, buyer or both. The amount an agent gets paid from the sale is negotiable.

Make sure your agent is negotiating and working only for you.

Once you sign a contract with the agent, you are required to work only with this agent. This is called an **Exclusivity Agreement**.

*Make sure all other Housing Professionals provide information on the repairs/rehab/construction and updates made to the home.

Questions To Ask Real Estate Professionals

1. How long have you been a Real Estate Agent? (This does not include the time they have worked in other positions in Real Estate)
2. Do they work as a Real Estate Agent full-time or part-time?
3. What locations do they mostly cover? (E/N/S/W, Cuyahoga, Stow, Fairlawn etc.)
4. What method do they use to provide you with Listings/Showings?
5. How will they be communicating with you?
6. What is their working schedule?
7. How do they prefer to work with you and a Sale-by-Owners?
8. Real Estate Agents will require clients to sign an exclusive agreement. Some Real Estate Agents work with preferred lenders/mortgage companies. Normally those lenders charge higher interest rates and have higher closing costs. Be aware and know that you can choose the lender and title company of your choice.

- _____
- _____
- _____
- _____

List of Potential Housing Professionals When Purchasing a Home

	Name of Professional	Rights to Select
1	Fair Housing Agency	Buyer
2	Seller's Real Estate Agent	Seller/Buyer
3	Buyer's Real Estate Agent	Buyer
4	Lender/Loan Officer	Buyer
5	Title Company	Buyer
6	Home Inspection	Buyer
7	Insurance Agent/PMI	Buyer/Lender
8	Appraiser	Lender
9	Counseling Agency	Buyer

Before you sign a purchase agreement write down what you think should be repaired and contact professionals to discuss potential cost. Then after you have signed a purchase agreement for the home you selected, contact a loan officer to apply and begin the loan process.

Making an Offer

To make an offer on a house you will complete, sign and submit a purchase agreement. In the agreement you will specify:

1. The price you can afford
2. The terms of your purchase price, and
3. Any **contingency** items that would keep you from moving forward with the purchase, for example, request a contingency on:
 - A satisfactory home inspection
 - DPA Approval
 - Loan Approval
 - Closing Costs

Homework for session three

- Track your spending for week 3**
- Continue to review your credit by using Credit Apps to see what is being said about your open credit accounts.**
- Complete worksheet and determine “How Much You Can Afford”**



Session Four

Applying for the Loan

When you and the seller finally agree upon the terms of the sale, take a copy of the purchase agreement that is signed by you and the seller to the loan originator who pre-approved you for the loan. The loan originator will begin to process your loan application.

You should only apply for one loan at a time. It will cost you about \$300 - \$500 to apply for a loan so make sure you are ready to buy. You should receive a "Loan Estimate" within 3 business days from the date you applied for your loan.

BEST KEPT SECRET:

HOME INSPECTORS ARE HIRED BY YOU TO INSPECT THE HOME

- Hire your own inspector or engineer to conduct an inspection of the house even if the city in which you are buying requires a code inspection.
- Inspectors and structural engineers are professionals who are certified to do the work required.
- ALWAYS stipulate in your purchase agreement that the sale of the house is contingent upon a satisfactory home inspection.



EXTERIOR

- Roof shingles condition
- Gutter alignment
- Siding damage
- Window seals
- Door frames
- Foundation cracks
- Driveway surface
- Landscaping health



INTERIOR

- Wall paint quality
- Ceiling stains
- Floor scratches
- Window locks
- Door hinges
- Stair stability
- Light fixtures



ELECTRICAL

- Outlet function
- Switch response
- Breaker labeling
- Visible wiring
- Ceiling lights



SAFETY

- Smoke detectors
- CO detectors
- Fire extinguisher
- Alarm system
- Door locks



MISCELLANEOUS

- Attic access
- Basement moist
- Garage doors
- Kitchen appliances
- Insulation type
- Pest control signs
- Pool equipment
- Fence stability
- Shed structure
- Sprinkler system



PLUMBING

- Faucet leaks
- Pipe corrosion
- Water heater age
- Drain flow rate



HVAC

- Furnace operation
- AC cooling level
- Vent airflow

Critical Differences Between Home Appraisal and Home Inspection

Feature	Appraisal	Home Inspection
Purpose	Determines the market value of the property for the lender	Evaluates the condition of the property for the buyer
Required By	Lender (mandatory for most loans)	Buyer (optional but highly recommended)
Focus	Property value, comparable sales, location, and market trends	Structural integrity, systems (plumbing, electrical), safety, and maintenance
Performed By	Licensed appraiser	Licensed home inspector
Report Includes	Estimated value, comparable properties, market analysis	Detailed condition report, repair recommendations
Impact on Loan	Directly affects loan approval and amount	Does not affect loan approval; help buyers negotiate repairs
Cost	Typically, \$300–\$600	Typically, \$300–\$500
Timing	During loan underwriting	During buyer's due diligence period

Most lenders take a snap shot of your financials during and after the loan has been approved and before closing. Any change could result in denial of your loan.

**ANY Financial Changes, the
LOAN CAN BE DENIED**

Insurances That Cover the Homeowner

HOMEOWNER'S INSURANCE

Homeowners' insurance comes in three basic levels of coverage.

- Actual Cash Value
- Replacement Cost
- Extended Replacement Cost/ Value.

All three types of insurance provide financial protection in the event that the homeowner's house or its contents are damaged. It also provides protection in case the insured or her family are held liable for injuries to other people or damage to their possessions while they are on the property.

Standard coverage includes:

- Dwelling protection, which covers the home and the surrounding structures, such as a garage, toolshed, fence and carport.
- Liability coverage, which pays for damages the insured caused on another person's property, or injures a person incurred on the policyholder's property.
- Personal property coverage, which pays for the repair or replacement of items that are damaged or stolen in a covered loss.
- Additional living expense coverage, also referred to as "loss of use," which helps pay for temporary relocation and basic living expenditures such as meals if the covered damage forces the homeowner to relocate while it is being repaired.

- Medical payments coverage, which pays for injury treatment for visitors who get hurt while they are on the property. It also covers individuals the homeowner or members of their family when they accidentally injured while away from home.

Some policies offer additional, optional protection for perils like damage to surrounding vegetation, burst water pipes, or certain passenger vehicles associated with the property. Environmental threats, like floods or earthquakes, are typically not covered unless the homeowner also purchases hazard insurance, which also protects against dangers like nuclear fallout.

Because homeowners' insurance is a standard part of any mortgage, you'll want to get the best rate on your mortgage first.

Insurance That Covers the Lender

PRIVATE MORTGAGE INSURANCE - Known As PMI

When a homebuyer makes a down payment of less than 20 percent, the lender may require the borrower to buy private mortgage insurance, or PMI. This protects the lender from losing money if the borrower ends up in foreclosure. PMI also is required if a borrower refinances the mortgage with less than 20 percent equity.

HOW CAN I GET RID OF PMI INSURANCE?

Your lender must automatically cancel PMI when your outstanding loan balance drops to 78 percent of the home's original value. This probably will take several years.

You can speed up the cancellation of mortgage insurance by keeping track of your payments. Once the loan balance reaches 80 percent of the home's original value, you can ask the lender to discontinue the mortgage insurance premiums.

To put it another way: You can request cancellation of mortgage insurance when the loan-to-value ratio drops to 80 percent. The lender is required to cancel PMI when the loan-to-value ratio drops to 78 percent.

Loan-to-value ratio

The loan-to-value ratio, or LTV, describes mortgage debt as a percentage of how much the home is worth. It is a financial term used by lenders.

Formula: Mortgage amount owed ÷ Appraised value

Example: Alex owes \$60,000 on the mortgage. The house is worth \$100,000.

\$60,000 mortgage balance ÷ \$100,000 Appraisal value = 0.6. This means that Alex's loan-to-value ratio is 60 percent.

The cost of PMI depends on the borrower's financial background, like their credit score, income, and the amount of their mortgage. PMI costs between 0.5 percent and 1 percent of the original loan amount. The borrower may pay their premium monthly as bundled with their regular mortgage payment or may have the option of paying it all in a lump sum.

Martin was approved for a loan with a down payment of 15 percent. Although this lets him move into a home sooner for less money, his bank asks him to pay PMI of about 0.75 percent of the original loan amount.

That ends up costing him an additional \$90 per month, or \$1,080 per year, on top of his interest and principal payments.

Insurance That Covers the Property When the Owner's Insurance has Lapsed

FORCE-PLACED INSURANCE: WHAT YOU NEED TO KNOW

What to Do If Your Lender Has Force-Placed Insurance on Your Property

Force-placed insurance, also known as creditor-placed, lender-placed or collateral protection insurance is an insurance policy placed by a lender, bank or loan servicer on a home when the property owners' own insurance is cancelled, has lapsed or is deemed insufficient, and the borrower does not secure a replacement policy. This insurance allows the lender to protect its financial interest in the property.

A lender may also force-place flood insurance on homes in flood zones that they believe do not have enough flood insurance to meet the legal minimum required to protect the property.

Force-placed insurance is usually a lot more expensive than what you can obtain by shopping for an insurance policy yourself. In addition, the lender-placed insurance policy may have limited coverage. For example, these policies generally do not cover personal items or owner liability.

What is the difference between a force-placed insurance policy and a homeowner's policy?

A homeowner's policy, which you can purchase on your own, provides more coverage and typically costs less than force-placed insurance. Unlike a homeowner's policy, force-placed insurance policies do not provide protection for personal property, such as your clothing and furniture. Additionally, a force-placed insurance policy does not include liability coverage that pays if you are responsible for damage or injuries to others.

Some force-placed insurance policies limit the amount of the coverage to the outstanding balance of the loan. This type of force-placed policy is commonly referred to as a **single-interest policy** because it only protects the lender's interest in the property. If the house is destroyed by a fire or other covered cause of loss, the single interest policy typically only pays enough to pay off the outstanding balance on the loan to the lender.

What to Do If Your Lender Has Force-Placed Insurance on Your Property

As soon as possible, contact an insurance carrier and get a new policy or seek to have your old policy reinstated. Even if you believe the servicer is at fault, you should continue to make payments to cover the force-placed insurance.

Gather detailed proof of the new insurance and send a copy of the relevant documents to your servicer. Request that they cancel the force-placed insurance policy they obtained for you as soon as possible.

HOME WARRANTY POLICIES

Home Warranty Coverage is not Home Insurance, however highly recommended on homes older than 10+ years.

A *home warranty* is a year-long, renewable home service plan that helps with the cost of repairing or replacing parts of a home's systems and appliances. It's not homeowner's insurance but acts as a complement to it –protecting things that your insurance doesn't.

Your home systems and appliances, like your water heater and oven, will break down over time. Sometimes, things just stop working, no matter how old they are. It happens. That's where a home warranty comes in – offering a budget-friendly solution for covered household breakdowns.

Homeowners Insurance Comparison Chart

Company name			
Telephone number			
Financial rating			
Consumer complaint index			
Company licensed (Yes/No)			
Type of policy (named peril or all risk)			
Replacement cost or actual cash value			
a. Dwelling			
b. Personal property			
c. Roof			
Deductible			
Discounts offered			
Annual premium			

Coverage comparison			
Policy covers damage from (Yes/No) ...	Fire and lightning		
	Windstorm and hail		
	Explosion		
	Smoke		
	Sudden and accidental leaking from plumbing, heating, air conditioning		
	Rain through damaged roof, windows, doors		
	Backup of sewers, drains		
	Freezing of plumbing or heating system		
	Mold and/or mold remediation		
	Falling objects, including trees		
	Weight of ice, sleet, snow		
	Vehicles		
	Animals		
	Construction defects		
	Vandalism, malicious mischief		
	Damage to foundation or slab		
Other	Collapse of building		
	Glass breakage-dwelling		
	Claim filing deadlines		

THE CLOSING PROCESS

Loan approval is where the lender now approves the property.

- *** Do Not Move out of your current HOME
- *** Do Not Change your Financial Situation
- *** **Do Not Open new Credit Accounts**
- *** Do Not over extend your Current Credit Cards
- *** Do Not Stop making monthly payment on Credit Accounts
- *** **Do Not Spend Money out of your Savings Accounts**

Final Closing Disclosure

4. Loan Terms

- Loan Amount
- Interest Rate
- Monthly Principal & Interest
- Prepayment Penalty
- Balloon Payment

5. Projected Payments

- Payment Calculation
- Principal & Interest
- Mortgage Insurance
- Estimated Escrow
- Estimated Total Payment
- Estimated Taxes and Insurance & Assessments

6. Costs at Closing

- Closing Costs
- Cash to Close

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	06/13/2024	Reverse	Mutual Move	Loan Term	30 year
Closing Date	06/12/2024	Buyer	801 Year Street City, State 44101	Purpose	Purchase
Document Date	06/12/2024	City	State 44101	Product	FixedRate
Settlement Agent	Titi Company	Seller	Mutual Move 777 Ocean Road Rd Your City, State 44101	Loan Type	<input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> Other
File #	123456789	Lender	212 Bank of Anywhere	Loan #	123456789
Property	777 Ocean House Rd, Your City, State 44101	Loan #	123456789	SEC #	
Sale Price	\$125,000.00				

Loan Terms	Can this amount increase after closing?
Loan Amount	\$144,700 NO
Interest Rate	6.19% NO
Monthly Principal & Interest <small>(See Projected Payments section for your Estimated Monthly Payment)</small>	\$885.31 NO
Prepayment Penalty	NO
Balloon Payment	NO

Projected Payments	
Payment Calculation	Years 5:30
Principal & Interest	\$885.31
Mortgage Insurance	+ 0.00
Estimated Escrow <small>(Amount can fluctuate over time)</small>	+ 187.76
Estimated Total Monthly Payment	\$1,063.07
Estimated Taxes, Insurance & Assessments <small>(Amount can fluctuate over time. See page 4 for details)</small>	\$305.00 a month
	This estimate includes: <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other <small>See Closing Account on page 4 for details. You may pay for other property costs separately.</small>
	In escrow? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

Costs at Closing	
Closing Costs	\$7,340.59 Includes \$4,112.58 in Loan Costs + \$3,228.01 in Other Costs - \$9.00 in Lender Credits. See page 2 for details.
Cash to Close	\$50,274.20 Includes Closing Costs. See Closing/Cash to Close on page 3 for details.

Loan Closing Documents

1. Mortgage Note
2. Mortgage
3. Deed
4. Preliminary Closing Disclosure – PCD
5. Final Closing Disclosure

The Preliminary Closing Disclosure

The Mortgage Note

1. **Mortgage Note** - The Note is where the borrower promises to repay the loan. In the case of a home loan, the Note is often referred to as a “Mortgage Note”. By signing the Note, the borrower accepts and agrees to the terms and conditions contained in the Note:
 - A. Principal amount, rate of interest, and terms of the Note
 - B. The monthly payment amount and where to pay it
 - C. Spells out the penalty if the borrower fails to make payments

The Mortgage

2. **Mortgage** - The Mortgage is the lender’s right to the borrowers’ house if the mortgage is not paid as agreed.
 - A. Application of payments
 - B. Fire, flood and other hazard insurance requirements
 - C. Condemnation
 - D. Occupancy, preservation, maintenance, and protection of the property

Penalties:

- A. Grounds for acceleration of the debt
- B. Reinstatement requirements
- C. Foreclosure procedures

The Mortgage Deed

Deed – The Deed is a legal document that contains the description of the property and transfers ownership from one person to another and filed with the mortgage.

A. It names the previous owners of the property and the new owners

B. Survivorship Deed automatically transfers the property to the designated survivors in

HOMETODAY -

THE MOVING PROCESS

Tip for Moving

Moving from one location to another can be stressful. To avoid stress, think about planning for the following things:

- ✓ Moving Truck (make sure you have dollies and Furniture Covers)
- ✓ Boxes needed to move personal items (label boxes to go into new rooms)
- ✓ Organize and label the rooms where items are to go in the new home
- ✓ Call to schedule Utility Turn-ons (3-5 days before moving)
- ✓ Notify US Postal office of address change (3 days before moving)
- ✓ Schedule installations (2-5 days before moving)
- ✓ Tape, markers, scissors, utility knives, hammers, screw drivers, trash bags etc.
- ✓ Change locks for all entry doors

Buying a home is a dream come true for many-but signing your mortgage documents is only the

beginning of your homeownership responsibilities.

- Consider the New Expenses you have as a Homeowner “Maintenance Cost”.
- Every step you take now to care for your home will benefit you and the family in the future.
- Protect your investment by maintaining the condition of your home, “Plan Ahead”.

Protect your investment by maintaining the condition of your home. “Plan Ahead”

Budget for unexpected Repairs.

- ✓ Appliances
- ✓ Water Heater
- ✓ Furnace/Air Conditioners
- ✓ Drainage issues (Ducts and Down Spouting)
- ✓ Roof damage
- ✓ Plumbing leaks(sink/toilet)
- ✓ Electrical

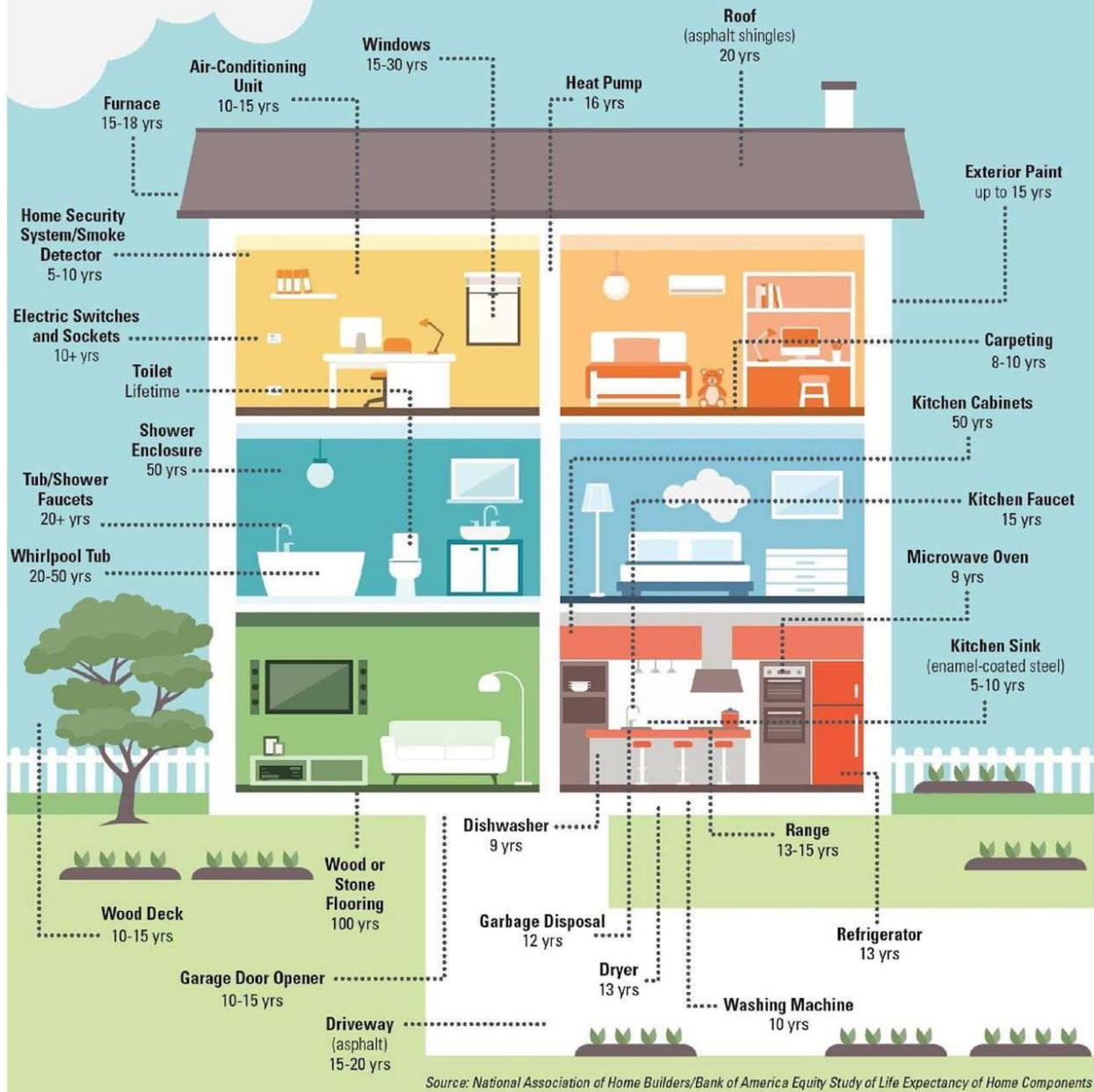
HOME MAINTENANCE CHECKLIST FOR HEALTHY HOMES

	Spring	Fall	Annual	As Needed	Pro Needed
Plumbing, Fixtures					
Check washer hose connections			√		
Check Dishwasher hose for leaks			√		
Check Toilet supply/shut-off valve			√		
Clean & check refrigerator drip pan-icemaker connection			√		
Check shower-tub surround for signs of damage			√		
Check traps and drains under sinks, tubs, and shower for leaks			√		
Check hot water heater for leaks		√			
Check boiler for leaks		√			
Check water main/meter or well pump for leaks or sweating		√			
Check septic tank			2 years		
Check drain and supply time for leaks	√	√			
Check bath and kitchen fans operation	√	√			
HVAC Equipment - Replace Filters					
Warm air Furnace (Merv 8)		√			
Air Conditioner (central air Merv 8)	√				
Dehumidifier	√				
Outdoor air to return to heat recovery ventilation		√			
Exterior Roof, Walls Windows					
Shingles in good condition	√				
Check chimney, valley, plumbing vent, skylight flashing	√				
Make sure gutters discharge water away from building	√				
Check attic vents	√	√			
Check icicles and ice dams			Winter		
Look for peeling paint	√				
Look for signs to leaks where deck attaches to house	√				
Check below windows & doors that flashing is intact	√				
Repair broken cracked glass		√			
Look for signs of leaks at window and door sills	√				
Clean dryer vents	√	√			
Check that exhaust ducts are clear	√	√			

Lifespan of Household Appliances

How Long Will Your House Last?

A part-by-part guide to the life expectancy of the pieces and systems in your home



Home Repair Contact List

TRADE/CONTRACTOR	Contact Name	Business Phone	Cell Phone	Estimated Cost
PLUMBER				
HVAC (Heating/Air Condition)				
ELECTRICAL				
ROOFING				
CARPENTRY				
LANDSCAPING				

Foreclosure is a court procedure used by lenders to get the home back from a homeowner that is in default of the Mortgage agreement. The lender has many options to assist the homeowner to bring the mortgage current and to make the housing payments affordable.

LOAN MODIFICATION OPTIONS

- 1. Repayment Plan** - Repayment Plan options can assist the homeowner with restructuring the monthly payment amount to include the delinquent portion to be repaid over time. Many homeowners, however, find this option more of a financial burden due to the monthly payment increasing to include adding in the delinquency installments with the current monthly payment
- 2. Refinance** - Is where the lender will rewrite the mortgage loan. Assistance received with this option depends on how long the homeowner already had the loan. The loan is then restructured with the remaining balance to either decrease the rate and/or the mortgage payment.
- 3. Forbearance** – The lender will agree to a Forbearance option to assist the homeowner with allowing partial payments over a short period of time. Then the remaining delinquent amount owed is then added at the back of the loan.
- 4. Loan Extension** – A Loan Extension is offered by extending the term of the loan to lower the monthly payment and if needed, include the delinquent amount into the calculation.
- 5. Partial Claim** - Partial Claim options are only available for government loans such as FHA and VA Mortgage Loans. This option has an insurance option on the loan when the loan was taken out. In the insurance option the homebuyer has one opportunity to make a claim to bring their mortgage current that will restructure the fees and missed payments incurred before the loan modification are rolled together into a zero interest second mortgage and are due when the property is either refinanced or sold.

Interest Reduction - This is where the lender reduces the rate of the loan, either temporarily or for the full term of the loan, depending on the modification. The interest income that the lender gives up during the rate reduction will often be added to the principal of the loan

Principle Deferred - This is where the lender will modify the loan in such a way as to lower the payments but will also reduce the amount of principal that is paid off with each payment. The deferred principal is due when the property is refinanced or sold, or when the loan matures

Foreclosure can be a stressful procedure, and you may need assistance in avoiding court actions against you to protect your rights and your home.

Below are steps recommended to take when you first notice financial changes that may hinder you from paying your mortgage payment on or before the due date.

Suggestions on How to Avoid Foreclosure

1. At the first sign of you not being able to pay your mortgage payments on or before the due date, call your lender to discuss what option they may have to assist you in avoiding delinquency and/or staying current.
2. Once you become delinquent, make promises to pay that you can keep. If you find that the arrangement you made cannot be kept, contact the lender to reschedule making another promise to pay. It is better for you to make the call to correct the date than for them to have to call you because you did not keep your promise.
3. If the reason for your delinquency cannot be resolved within 60-90 days to bring the mortgage to be current, you should request long-term options.
4. Don't be afraid to consider working with the lender by using an Exit Strategy method. Using the Exit Strategy Method can provide more time for things to change financially for you, or allow you to sale the property, receive funds from the property and start all over once you have resolved your financial situation without derogatory credit history.

Exit Strategy Method.

1. List the property for Sale - If the lender is going to work with you to help you have a positive outcome, listing the property will allow you to possibly receive funds to relocate and possible funds to pay off debt.
2. If you cannot find a buyer, the lender may work with you in other strategies such as

Short Sale – Provides the option to work with a buyer that wants to purchase the property for less than the balance owed.

Deed In lieu – Provide the homeowner the ability to surrender the home. This method may release the homeowner from further obligation of the balance and/or may hold the homeowner responsible for any remaining amount. We recommend working with an experienced Realtor or Housing Counselor.

Relocation Plan - Many Lenders offer "Cash for Keys"

- ❑ Complete all four webinars and track your spending for all four weeks
- ❑ If you haven't completed all four sessions, visit thirdfederal.com/community to register for any missed sessions.
- ❑ Allow 7 – 10 business days, to receive your “Next Step Letter”. Once you received the letter then contact the Housing Counseling Agency of your choice to complete your individual assessment.
- ❑ Complete your counseling session(s) then your HUD Counselor will advise you when to contact the lender of your choice.

****There will be a total of 5-6 pages. Please be sure to scroll through the entire document.****

Step 1: Complete all 4 webinar sessions

Step 2: Select Counseling Agency, and complete counseling and receive counseling certificate

Step 3: Contact Lender and apply for your pre-approval letter.



December 31, 2024

Dear,

Congratulations! You have completed the four Third Federal HomeToday™ educational sessions: 1) Tracking Your Spending, 2) Budgeting, 3) Planning for Your Future, and 4) Shopping for a Loan. The next step is to meet one-on-one with a professional credit counselor to create a personalized action plan and budget.

Attached is a list of Third Federal-approved HUD counselors. When contacting the HUD counseling agency, you will need to make them aware that you attended Third Federal HomeToday sessions.

As a reminder, you are required to bring one month of spending tracking to your counseling session, along with any additionally-requested documentation in order to assist you toward your dream of homeownership.

In addition, please obtain a copy of your FREE credit report from any the three main credit bureaus. This can be done one of three ways: toll free at (877) 322-8228, through the internet at www.annualcreditreport.com, or by mail at Annual Credit Report Request Service, PO Box 105281, Atlanta, GA 30348-5281.

Once you receive your HUD-certified Certificate of Completion from your counseling agency, please reach out to any of our Third Federal branches to schedule an appointment with a loan originator to complete a free preapproval.

Your closing cost discount coupon is included with this letter.

We look forward to helping you! If you have any questions, please contact our Customer Care Department at (216) 441-7345.

Sincerely,

Community Development Services



Post Purchase Counseling

When purchasing a home, the first few months can be overwhelming. We suggest after three to six months-schedule a post purchase counseling with your HUD approved credit counselor. Continue tracking your spending as a homeowner! Your monthly budget will change, and we want to continue to help you become a successful homeowner. Once you receive the keys to your home, it is not the end of the journey, but the beginning!



- What is your Credit Score: _____
- Mortgage Payment Budget: \$_____
- Savings for Down Payment, Closing Cost, etc. \$_____
- Back End Ratio/Total Ratio _____%

A

Additional Security: Security offered to a lender that would be different from the primary security property. This might include an additional piece of real property or a savings account, in addition to the down payment, to convince a lender to grant a mortgage loan.

Adjustable-Rate Mortgage (ARM): A mortgage loan in which the interest rate periodically changes according to terms and conditions specified in a mortgage note. The changing interest rate is based upon the upward and downward movement of an index, such as the current U.S. Treasury Securities, and a mixed margin above that index. An adjustable-rate mortgage is also called an adjustable mortgage loan.

A.L.T.A. Policy: An acronym for American Land Title Association. It is a title insurance policy insuring the lender against losses sustained due to lien priority. This policy protects the lender from claims which might have been recorded but may not have been identified by title search and examination. It also protects the lender from defects which might not have been recorded at the time the search was completed. The borrower may pay all, a part, or none of this cost, depending on the terms of the sales contract or local custom.

Amortization: The reduction of a mortgage debt, according to a set schedule spelled out in the mortgage note, to a zero balance over a certain number of years.

Application Fee: A fee charged by a lender for initiating a loan application.

Appraisal: The valuation of real property, based upon current market conditions, by a certified, independent appraiser to determine if the value of the property is sufficient to secure the loan. The appraiser inspects the house and the neighborhood and considers the selling prices of comparable houses and other factors in determining the value. The appraisal will provide the factual data upon which the appraiser bases the appraised value.

Appreciation: An increase in property value beyond the original purchase price.

Assessed Valuation: The dollar value assigned to real property by a local government for the purpose of assessing taxes.

B

Borrower: A person who obtains a loan to take ownership of real property. The borrower is responsible for the repayment of that loan according to the terms and conditions of the mortgage note.

Buy Down: A provision granted by a lender that allows the borrower to pay additional points to lower the interest rate given.

Buy Up: A provision granted by a lender that allows the borrower to pay few points, which results in a higher interest rate.

C

Caps: Limit, set by the lender, on the upward (ceiling) or downward (floor) rate changes permitted on an adjustable-rate mortgage at each adjustment period.

City Inspection: An inspection of the property required by some cities, the seller is required to meet specific property standards established by the city. Properties that meet these standards may be issued a certificate of occupancy.

Closing Cost: Cost paid by a buyer, or seller, or both to purchase, sell or transfer real property.

Closing Disclosure: A five page form that provides final details about the mortgage loan you have selected.

Collateral: Real property and/or other security pledged to a lender as an inducement for granting a loan. If the borrower defaults, the lender has the legal right to seize and sell the collateral to collect repayment of the debt.

Commitment Fee: A fee charged by a lender for extending the period of time to which the lender will commit to approval of a specific interest rate and/or loan amount.

Conventional Mortgage: A residential mortgage loan that is not insured or guaranteed by an agency of the government, payable in monthly installments over a specified period of time.

Conversion Clause: An arrangement within an adjustable-rate mortgage note that permits the borrower to change an adjustable-rate loan to a fixed rate loan within a certain period of time and under certain specified conditions.

Conveyance: A transfer of ownership in real property from one party to another party.

Conveyance Fee: This is the fee paid to a county recorder to log the transfer of title from the seller to the buyer. This fee is set by the local government and is based on the selling price of the property.

Co-Signer: One who signs for another, thereby accepting full responsibility for repayment of a debt in the event of default.

Credit Report: A detailed summary of an individual's credit history prepared by a credit-reporting agency.

D

Debt-To-Income Ratio: A way of evaluating a borrower's ability to repay a loan based upon current debt and income levels.

Deed: An instrument used to transfer ownership of real property. There are three types of deeds:

A general warranty deed is a guarantee from the seller that good title is being conveyed.

A joint tenancy or joint survivorship deed allows two or more persons to hold real estate jointly for life, with the survivor(s) taking the interest of the one who dies.

Dower: The interest in the real property of a homeowner allowed to the non-title holding spouse.

Down Payment: The cash that a buyer pays toward the purchase of a house. The down payment/equity represents the difference between the mortgage amount and the purchase price and includes the earnest money (escrow deposit) and secondary financing.

E

Earnest Money (Escrow Deposit): Money given by a buyer, to a seller or a seller's agent, in order to secure the purchase of real property and to show that the buyer's offer is being made in good faith.

Equity: The difference between the current value of the real property and the outstanding balances on any mortgages attached to the property.

Escrow: The holding of funds and documents of buyers and sellers by a disinterested third party until contractual conditions, specified by a purchase agreement, are satisfied.

Escrow Account: Funds included in the monthly real estate loan payment to accumulate the amounts necessary for the future payment of county taxes and any of the following, when applicable: Private Mortgage Insurance (PMI), homeowner's insurance, flood insurance, mortgage life insurance and disability insurance. Using the funds in the escrow account, the lender makes these payments as they become due.

Escrow Agent: An impartial third party responsible for overseeing the transfer of real property according to conditions set forth in the purchase agreement and any attached addenda.

Escrow Deletion Letter: A letter signed by both buyer and seller, which deletes the escrow agent listed in the purchase agreement and names a new escrow agent.

Escrow Fee: A fee paid to the escrow agent for overseeing the transfer of real property.

F

Final Closing Disclosure: A detailed final review that outlines loan terms, fees and closing costs to ensure transparency. Lenders must provide the Closing Disclosure to borrowers at least three business days before the scheduled closing date. After signing the Closing Disclosure, borrower will likely move onto closing day.

Finance Charge: The cost of interest and other charges involved in borrowing money to build or purchase real estate.

Flood Insurance: A federal insurance plan required for any property purchased in a certain flood hazard area identified by FEMA (Federal Emergency Management Agency). If your property is within such an area, you may be required by federal law to carry flood insurance on your home. Such insurance may be purchased in participating communities under the National Flood Insurance Act.

G

Gross Income: Total income from all sources for all borrowers on a loan. This is the income before any deductions, including taxes, 401k contributions, insurance premiums or charitable deductions.

H

Homeowner's (Hazard) Insurance: Insurance protecting a house against certain hazards including loss from fire, certain natural causes and vandalism, and guaranteeing payment to the insured in cases of such loss.

I

Index: A base indicator for the interest rate of an adjustable-rate mortgage. A typical index is the 1-year Treasury Bill averaged to a constant maturity, plus the margin. Another typical index would be the Prime Interest Rate.

Interest: The cost of borrowing money from a lender.

Interest Rate: The rate used to perform interest calculations and establish the monthly mortgage payment.

J

Judgment: the decree of a court which produces a lien against the real property of a debtor as a result of the court's award of money to a creditor.

L

Lien: A security claim on property until a debt is satisfied. A mortgage lien is evidenced by an executed mortgage which the lender files with the county recorder. A tax lien is a lien filed by a tax agency for non-payment of taxes. A mechanic's lien is a lien filed by a contractor, laborer, or material supplier for non-payment for work that has been performed or for materials supplied.

Loan Commitment: A guarantee by a lending institution to a borrower to lock in an interest rate for a certain number of days.

Loan Estimate Sheet: Tells you important details about the mortgage loan you have requesting. Use this tool to review your Loan Estimate to make sure it reflects what you discussed with the lender. If something looks different from what you expected, ask why.

Loan-To-Value (LTV): A percentage representing the mortgage amount divided by the appraised property value or selling price of the property (whichever is less). For example, if the market value of a house is \$100,000, and the amount of the loan is \$80,000, the LTV is 80%.

Long-Term Commitment: A rate and/or loan amount guarantee by a lending institution which is longer than its basic commitment period.

M

Margin: The percentage that a lender adds to a base index to create adjustments on adjustable-rate products.

Market Value: The most likely price at which a property will sell in a competitive and open market.

Mortgage: A debt instrument by which a borrower (mortgagor) gives a lender (mortgagee) security interest in real property in return for a loan. When the debt is paid in full, the mortgage is cancelled and the lien on the secured property is released.

Mortgage Disability Insurance: Optional insurance which, under circumstances spelled out in the insurance policy, makes payments on a mortgage loan when the borrower is injured, ill or disabled.

Mortgagee: A lender that accepts a debt instrument as a security interest in real property in return for granting a loan.

Mortgagor: The person (borrower) providing a debt instrument to the lender.

N

Net Worth: The value of all assets minus the amount of all liabilities. It is often used as a measure of financial strength.

O

Origination Fee: A fee charged by a lender or loan originator to offset the costs involved in processing a loan request.

Owner's Fee Policy: A title insurance policy guaranteeing that the buyer of a property enjoys free and clear title at the time the deed is filed for record. This policy goes beyond the title guarantee by protecting the buyer against defects which might not have been of record at the time the title search was performed. In some areas, it is customary for the seller to provide the buyer with an owner's policy and for the seller to pay for this policy. In other areas, if the buyer desires an owner's policy, he or she must pay for it. It shows the location of the land, its dimensions and any improvements on the land. It also checks for easements of record, encroachments and building line violations.

P

PITI: An acronym for the components of a monthly mortgage payment. It stands for Principal, Interest, Taxes and Insurance.

Point Form: A form signed by whoever is paying the purchaser's points and/or costs.

Points: A one-time charge used to "buy down" the interest rate on a loan. Each point is equal to 1% of the mortgage amount. For example, if a lender charges one point of an \$80,000 loan, this amounts to a charge of \$800.

Preapproval: An approval for a certain loan amount granted to an applicant who has not signed a purchase agreement at time of application.

Preliminary Closing Disclosure: Includes a wealth of information that covers: Loan Terms: It outlines the key terms of your loan, including the loan amount, interest rate, monthly payments, and the loan term. Verify that these match what you agreed upon in your original loan application.

Prepaid Interest: Interest due to the full amount of the principal for the period from the date of settlement to the beginning of the period covered by the first monthly payment.

Prepayment: The payment of a mortgage loan before it is due.

Prepayment Penalty: A penalty charged by a lender to a borrower for paying off a mortgage loan before maturity.

Prime Rate: The interest rate charged by commercial banks to their best, most secure corporate customers. It is regarded as a yardstick for general trends in interest rates.

Principal: The amount of money borrowed from the lender.

Principal Payment: The portion of a loan payment which goes to reduce the outstanding balance of the loan.

Private Mortgage Insurance (PMI): A generic name for mortgage insurance granted to a lender. The insurance is written by a private company, and it protects the lender against loss if the borrower defaults on the mortgage.

Purchase Agreement (Contract): A written document in which the purchaser agrees to buy certain real estate and the sellers agrees to sell under stated terms and conditions.

R

Recording Fees: The charges for recording documents with public agencies.

S

Secondary Financing: Financing provided by a second lender that will accept a second lien position. This includes seller financing or financing provided by communities or organizations to further community housing goals.

Settlement: The final closing in which real property is transferred, and proceeds are disbursed.

Survey (Location Service): A lot drawing performed by a surveyor which locates the house and other buildings on the lot described in the legal description of the property. It shows the location of the land, its dimensions and any improvement on the land. It also checks for easements of record, encroachments and building line violations.

T

Tax Proration: The distribution of seller's proceeds to the buyer to cover county taxes which are owed but not payable at the time of the title transfer.

Tax Reserves: Funds collected as part of the monthly mortgage payment, which are held by the lender on behalf of the borrower. These funds are used by the lender to pay the borrower's semi-annual real estate taxes.

Term: The amount of ownership, control and possession of property.

Title: The right of ownership, control and possession of property.

Title Guarantee: The guarantee to a purchaser by an independent title company performing a title search that there are no liens of record which would cloud the title to a newly acquired real property.

Title Insurance: A policy that protects the purchaser, mortgagee or other party against losses due to defects in title.

Title Search: A search by an independent title company for liens or encumbrances which could affect passing clear title from the seller to the buyer.

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