

HOMEOWNERSHIP: MAKING THE RIGHT CHOICE



New Hampshire Housing
Bringing You Home

INTRODUCTION

Homeownership is a big responsibility, one that lasts for many years. As a prospective homeowner this will be one of the biggest financial commitments you will probably ever undertake.

This manual is a resource for Housing Choice Voucher tenants who would like to use their voucher for mortgage assistance. Use this manual to refer to while you are taking steps toward your goal of homeownership.

In this manual you will learn effective tools for budgeting, savings and credit repair. You will discover the major homeownership hurdles that challenge prospective homebuyers. There are checklists for house hunting, home evaluations and your “needs and wants” in a home. There are tips to help tour prospective homes and negotiate purchase offers. Included are samples of a Purchase and Sales Agreement and a loan application to help you prepare for and understand the closing process.

New Hampshire Housing wants to help you become a successful homeowner. Our goal is to make this as smooth a transition from tenant to homeowner as possible. Assistance is available for you by contacting your Program Monitor, Homeownership Educator or the Home Ownership Division.

Homeownership Educators

Patti Williford
Housing Services Coordinator
New Hampshire Housing
41 Cottage Street
Littleton, NH 03561
(800) 622-5266 x 9404
TDD: (603) 472-2089
pwilliford@nhhfa.org

Home Ownership Division

New Hampshire Housing
Home Ownership Division
PO Box 5087
Manchester, NH 03108
(800) 649-0470
TDD: (603) 472-2089

TABLE OF CONTENTS

HOMEOWNERSHIP: AM I READY?.....	1
HURDLES TO BECOMING A HOMEOWNER	8
UNDERSTANDING CREDIT.....	21
FINDING THE HOME THAT IS RIGHT FOR YOUR FAMILY	44
FINANCING YOUR HOME	55
FEDERAL LAWS PROTECTING CONSUMERS.....	64
APPENDICES	68

HOMEOWNERSHIP: AM I READY?



HOMEOWNERSHIP: WEIGHING THE BENEFITS AND CHALLENGES	2
Benefits and Challenges of Renting	2
Benefits and Challenges of Owning a Home	2
AM I READY TO BUY A HOME	4
Down Payment	4
INTRO TO HOMEBUYER'S ASSISTANCE	5
Characteristics of Government Programs	5
QUALIFYING FOR A LOAN.....	6
How Much Mortgage Can I Afford	6
Other Factors Affecting Mortgage Affordability	7

HOMEOWNERSHIP: WEIGHING THE BENEFITS AND CHALLENGES

The decision to purchase a home is an important one. There are many areas to explore to be sure you are making the right decision for your family, including the benefits and challenges of renting versus buying and your readiness and ability to purchase a home.

Benefits and Challenges of Renting

There are many benefits and challenges associated with renting a home. Often, the same issue can be both a benefit and a challenge. For example, if your landlord is responsible for maintaining the property you may be freed from the additional time and expense but it also places you at the mercy of the landlord to complete the project. Your priorities in the home may not be the same as that of the landlord. Following is a list of potential benefits and challenges of renting a home.

Benefits of Renting a Home

- Property maintenance is the responsibility of the landlord.
- You are only under a rental contract for one year or less.
- You do not have other costs associated with owning a home, such as property taxes or homeowner's insurance.
- Renter's insurance, while not required, can be obtained from the same companies as homeowner's insurance. Renter's insurance protects your belongings if there is a fire or theft in the apartment or home you are renting.
- Renter's insurance is generally cheaper than homeowner's insurance.

Challenges of Renting a Home

- When you rent, you are not the owner of your home. You must get permission from the landlord to do any modifications or improvements to the rental unit.
- Your rent may increase annually.
- If your landlord does not choose to renew your rental contract you have to find a new place to live.

Benefits and Challenges of Owning a Home

When making the decision to own a home, it is important to look at the benefits and challenges of homeownership. The following is a list of common benefits and challenges of homeownership.

Benefits of Owning a Home

- You can build equity. Equity refers to the value of the home minus the debt you owe on it. As you pay down the loan and your home value increases, you build up equity.
- One of the benefits of equity is that you can borrow against it for many purposes, usually at a lower interest rate. For example, you can pay for a child or other family member's education.
- Homes generally increase in value over time, so it can be a good way to invest your money.

- Once your mortgage is paid in full, the home is yours. A mortgage is a loan to purchase a home.
- Homeownership may reduce the amount of income tax you owe since mortgage interest and property taxes are generally deductible.
- You can pass your home on to family members.

Challenges of Owning a Home

- When you own a home, property maintenance and upkeep are your responsibility.
- You have the additional costs of homeowner's insurance, real estate taxes and in some cases, Homeowner's Association fees. Homeowner's Association fees pay for the maintenance of the common areas and the exterior of the buildings and grounds.
- When you own a home it is not as easy to move as when you rent. You will typically have to sell or rent your home before you can afford to buy or rent another one.
- You could lose your home and your investment in it if you do not make timely mortgage payments.

AM I READY TO BUY A HOME?

Once you have made the decision that homeownership is the right choice for you and your family, you need to determine if you are ready to buy a home. The following questions are helpful in making this decision.

1. Do I have a steady source of income? This usually means you have a permanent job or some other sources of regular income.
2. Have I been employed on a regular basis for a minimum of two to three years?
3. Is my income reliable?
4. Do I have a credit history? This refers to whether you have ever borrowed money for any purpose.
5. Do I have a good record of paying bills?
6. Am I able to pay my bills and other debts every month?
7. Do I have the ability to make the mortgage payment every month plus handle additional costs for taxes, insurance, maintenance and repairs?
8. Do I have money saved for the down payment and closing costs? The down payment is the portion of the home's purchase price that the buyer pays in cash. The more you have for a down payment, the less you will need to borrow. Closing costs are the charges related to transferring the ownership of the property.

If you answered yes to all of these questions, you may be ready to purchase a home. If you answered no to any of the questions, you will have to strengthen those areas before buying a home.

Down Payment

Generally, lenders prefer that you have 5 percent of the home's purchase price for a down payment. For example, 5 percent of a \$100,000 mortgage is \$5,000. There are many special programs that require a smaller or no down payment.

If you make a down payment of less than 20 percent, you will generally be required to purchase Private Mortgage Insurance (PMI), or participate in a government mortgage program. Mortgage insurance protects the lender if you default on the loan. It is an additional cost of the mortgage.

INTRO TO HOMEBUYER'S ASSISTANCE

There a number of different programs available for first-time homebuyers. Many people start the home buying process through one of these programs or through a community organization.

For example, in an Individual Development Account (IDA) program, participating organizations match your savings contributions to help you save for a down payment and closing costs. All homeownership IDA programs require you to complete financial education classes.

New Hampshire Housing, Rural Development, the Veteran's Administration and local public housing and non-profit housing organizations (see Appendix B) offer homebuyer assistance programs in New Hampshire. Many banks offer loan products in conjunction with these agencies. Ask your lender, Homeownership Counselor or Homeownership Educator about the homebuyer assistance programs they offer. Local real estate agents may also be aware of special programs that are available.

Characteristics of Government Programs

Homebuyer assistance programs that are offered through governmental organizations have special characteristics and requirements to meet the needs of low-income buyers. Following are characteristics of many government programs.

- They are generally targeted to individuals and families with a modest income.
- They have zero or low down payment requirements. For the VAMO (Voucher Assisted Mortgage Option), New Hampshire Housing requires three percent with at least one percent of homebuyer's own money. The other two percent can come from a gift or grant.
- They have more flexible underwriting standards. This means the lender will consider non-traditional forms of credit history, such as rent or utility payments, and higher ratios of debt compared to your income.
- The program may require homebuyer/homeowner education.
- Government program restrictions may include:
 - Purchase price limitations;
 - Service charges; and
 - Higher loan origination fees.

QUALIFYING FOR A LOAN

There are three factors lenders use to qualify you for a loan. They are known as the three C's:

- **Capacity:** your present and future ability to meet your payment obligations.
- **Capital:** your savings and other assets that can be used as collateral for a loan.
- **Character:** refers to how you have paid your bills or debts in the past. Your credit report is one tool lenders use to consider your willingness to repay your debts. Your willingness to repay your debts is important because a mortgage is most likely the largest loan you will obtain.

There are two types of qualifications that lenders provide borrowers during the buying process. These are:

Pre-Qualification

An informal way to find out how much mortgage you can obtain. You can be pre-qualified by giving the lender some basic information over the phone, such as:

- Employment
- Income
- Down payment information
- Outstanding debts

No paperwork is required. There is no obligation. The pre-qualified amount is not exact; it's only a ballpark figure.

Pre-Approval

A commitment from the lender to lend you money. The pre-approval process lets you know how much you can obtain and tells sellers you are prepared to buy a home. To obtain pre-approval you need to gather financial records and fill out an application. You will usually need:

- Pay stubs for the last two to three months
- W-2 forms for the last two years
- Tax returns for the last two years
- Information about your assets and long-term debt
- Recent bank statements
- Proof of additional income, if any

How Much Mortgage Can I Afford?

As a rule of thumb, many people estimate they can afford a mortgage equal to two to three times their household income. For example, if someone's annual income is \$30,000 they might be able to afford a mortgage of \$60,000 to \$90,000, depending in part on the interest rate at the time they apply.

Keep in mind that just because you qualify for that amount, it does not mean you can afford, or be comfortable with, the monthly payments. You need to consider your family's particular circumstances and lifestyle and your future financial needs and goals.

Lenders look at your debt-to-income ratios when they consider your application for a mortgage loan. They consider monthly housing expenses as a percentage of income and total monthly debt as a percentage of income. Both ratios are important factors in determining whether the lender will grant the loan.

Lenders usually require housing expenses (which includes principle, interest, taxes and insurance) to be less than or equal to 28 to 33 percent of monthly gross income. Lenders call this the "front-end" ratio.

Lenders usually require housing expenses (which includes principle, interest, taxes and insurance) plus other debt such as car payments to be less than or equal to 36 to 41 percent of monthly gross income. Lenders call this the "back-end" ratio.

Gross monthly income means all income before taxes and other deductions.

Other debt means outstanding debt with a remaining term of more than 10 or 11 months. This can include student loans, credit cards, car loans, etc.

Other Factors Affecting Mortgage Affordability

Other factors that may affect the affordability of a mortgage include:

- The length, or term of the mortgage affects how much mortgage you can afford.
 - Most mortgages are for either 15 or 30-year terms.
 - 30-year mortgages are the most common because the mortgage payment is lower.
- Whether your mortgage is variable or fixed will also affect how much mortgage you can afford.
 - If you have a fixed rate loan, your interest rate stays the same for the term of the loan. Your payments are predictable and are not affected by interest rate changes.
 - If you have a variable rate loan, the interest rate can increase or decrease during the term of the loan. You might have a low rate at the beginning of the term, but the rate and your payment can increase significantly throughout the term of the loan.

HURDLES TO BECOMING A HOMEOWNER



THE IMPACT OF BUDGETING AND SAVING ON HOMEOWNERSHIP	9
How to Set Up a Budget	10
Monthly Budget Worksheet	13
Debt Payment Worksheet.....	14
Money Control Worksheet.....	16
THE IMPACT OF DEBT ON HOMEOWNERSHIP	17
Assessing Monthly Income and Debt	17
Costs of Becoming a Homeowner.....	18
Poor or No Credit.....	19
Overcoming Hurdles	20

THE IMPACT OF BUDGETING AND SAVING ON HOMEOWNERSHIP

Homebuyers who have problems qualifying to buy a home generally need to overcome one or more of the following hurdles.

1. Lack of up-front cash for entry costs such as down payment and closing costs.
2. Inability to qualify for the necessary mortgage due to high debts or insufficient income.
3. Poor or non-existent credit history.

Poor budgeting may be the underlying cause in any of the three hurdles. In this section you will learn the importance of budgeting, identify family income and expenses, set goals and priorities, and establish budgets.

Do homebuyers really need a budget? The answer is YES because a budget helps the homebuyer to:

- **Anticipate expenses related to owning a home**
Buying a home involves many new costs that need to be considered. For example, it may be necessary to purchase major appliances such as a refrigerator, washer, dryer, etc. and pay for utilities that may be included in your current monthly rent payment. There are also setup charges for connecting electricity, phone and other utilities.
- **Prepare for large expenses**
By planning ahead you can prepare for the larger periodic payments like insurance premiums. Often paying these expenses requires more than one paycheck.
- **Identify wasteful spending**
If you know where your money is going, you can eliminate wasteful spending and afford the things you value most.
- **Prepare for surprise expenses**
Life is full of surprises and not all of them are pleasant. You cannot predict large expenses such as medical bills or car repairs, but if the budget includes a regular savings plan it will be easier to meet emergency expenses.
- **Accomplish savings goals**
After paying bills, many of us have no money left for savings. A budget helps you pay yourself first so you can accomplish your future financial goals.
- **Speed up home buying**
If you stick to a budget you will be able to save the money you need for a down payment, closing costs and emergencies much sooner.
- **Strengthen the loan application**
By establishing a regular habit of putting money into a savings account you make your loan application stronger and increase the chances of your loan being approved.

Adapted with permission.

Source: AHEAD "Beyond the Basics"

How to Set Up a Budget

There are five steps to understanding your family's financial circumstances and setting up a budget.

The Five Steps

- | | |
|---------|-------------------|
| Step 1: | Identify income |
| Step 2: | Identify expenses |
| Step 3: | Set goals |
| Step 4: | Develop a budget |
| Step 5: | Track progress |

Step 1: Identify Income. Document all income including salary, social security, unemployment compensation, child support, etc.

Step 2: Identify Expenses. The best way to track expenses is to write down everything spent over an entire month. Each family member should carry a notebook and jot down every expense as it is made. In categorizing expenses it is important to note which expenses are cost of living expenses and which are discretionary expenses.

- Cost of living expenses are for necessities. Examples include housing, food, insurance, childcare and utilities.
- Discretionary expenses are for non-necessities, such as cable television, restaurant meals, cigarettes, vacations, lottery tickets, etc.

The monthly budget worksheet located at the end of this section can be used to catalog expenses.

Step 3: Set Goals. Effective goals are written and include input from every family member, including children.

- What exactly are your family's financial goals? To find out ask yourself the following four questions.
 1. Where am I now?
 2. Where do I want to be?
 3. What do I have to do to get there?
 4. Am I willing to do it?
- Be very specific when setting goals. Do you want to buy a house in six months? Do you need a new car? Would you like to be debt free in two years?

Step 4: Develop a Budget. As a household look at current expenses and decide which categories could be trimmed to meet your savings goals.

- Some cost of living expenses are fixed and cannot be changed such as rent, insurance payments and school tuition.
- Other discretionary costs can be trimmed. For instance, households can often find ways to save on groceries, utilities and transportation.

The Debt Payment Worksheet located at the end of this section can be used to record all debts that you are unable to pay in full. This worksheet illustrates how much is still owed, what has been paid and what the debt is costing you in interest.

The Money Control Worksheet is a guide for coordinating expenses and monthly debts with income. This worksheet focuses on pulling everything together and making sure that the cash is available when bills are due.

Step 5: Tracking Progress. It is crucial for you to keep track of your progress.

- Have each family member continue to record spending. Compare each month's actual expenditures to the budget to determine progress.
- A budget may be difficult to follow but can be extremely effective. A little time and discipline go a long way toward making the dream of homeownership a reality!

On the following page are some tips for you to use as you work on your budget.

Ways to Spend Less Money

- Carry written reminders of your goals with you. When you are about to buy something, read your goals. Then decide whether that purchase will help get you closer to your dreams or goals.
- Carry as little cash as possible.
- Use direct deposit (instead of getting a paycheck, your salary is automatically deposited into your bank account) if your employer offers it.
- Limit your use of credit cards if you can't pay the balance in full each month.
- Pay with cash or a check instead of a credit card. Using a credit card adds a finance charge to the cost of your purchase if you do not pay off the entire bill each month.
- Don't shop "for fun" or for something to do. It's hard to look at things for sale without spending money.
- Put items on lay-away when you can. This helps to keep you from buying on impulse. Also, lay-away plans usually don't have finance charges.
- Buy only what you need. Don't buy items just because they are "on sale" or you have a coupon.
- If you subscribe to cable television carefully choose which channels you can afford to pay for.

Ways to Make Budgeting Easier

- Know when bills are due. Time your fixed payments – your rent, your car or loan payment – to match your paycheck schedule.
- Ask if your utility companies offer “level billing payments” or an “average payment plan”. This divides your bills into 12 equal payments. It helps with budgeting because you know how much the payments will be even when you’re using a lot of heat or air conditioning.
- Utility companies may also offer “deferred payment agreements” based on how much you can pay. Under this agreement you pay back a little bit each month on money you already owe in addition to your current bill.
- Open a checking account for paying your bills. This gives you another way to see what you spend. Shop for the best deal. Some accounts pay interest; some charge fees.

Tips for Saving

- Pay yourself first before spending any of your paycheck. Put that amount in your savings account even if it seems like a small amount.
- Keep your change at the end of each day. Put it in a special savings container – you can even call it a piggybank!
- Bank your surprises. If you receive money unexpectedly such as a gift or tax refund, deposit it in your savings account.



Investing in a Regular Savings Account

A couple has determined that they need to adjust their federal withholding because at the end of the year they are getting back a refund of \$1,000. They would rather have the money throughout the year, rather than at the end of the year.

They decide to adjust their tax withholding by preparing W-4 forms for their employers. They decide to decrease their additional amount of withholding taken out each week to zero, rather than having the additional \$19.23 per week sent to Uncle Sam in the form of federal withholding ($\$19.23 \text{ per week} \times 52 \text{ weeks per year} = \$1,000 \text{ per year}$).

Since they will have less federal withholding taken from their check they will get a bigger paycheck on a weekly basis. By depositing some of this money in the bank they will be able to save money for the down payment on a future house.

If they deposit \$25 per week into the bank, then in five years they will save \$6,500 for a down payment not including interest.

Monthly Budget Worksheet

MONTH: _____

MONEY AVAILABLE: _____

EXPENSES	\$ PLAN	\$ SPENT
Housing		
Mortgage Payment		
Electricity		
Heating (12 month avg.)		
Water/Sewer		
Telephone		
Trash Removal		
Total		
Maintenance		
Monthly Maintenance		
Cleaning Supplies		
Lawn Care		
Pest Control		
Snow Removal		
Total		
Food		
Food/Groceries		
Work Food (avg. 20 days)		
School Lunches x 20 days		
Total		
Savings		
Monthly Family Savings		
Tax Refund		
Total		
Car		
Loan Payment		
Gas		
Repairs/Maintenance		
License Tags/Taxes		
Inspection		
Tokens/Parking Fees		
Total		
Personal		
Toiletries & Supplies		
Barber/Beauty Shop		
Allowance for Kids		
Child Care		
Child Support/Alimony		
Internet		
Alcohol/Tobacco		
Total		

EXPENSES	\$ PLAN	\$ SPENT
Insurance		
Car (annual/12)		
Homeowners/Renters		
Life/Casualty		
Health		
Total		
Medical		
Doctor's Visits (number of individual/12)		
Medications/Prescriptions		
Dentist		
Total		
Clothing		
Clothes (cost last year/12)		
Laundry/Dry Cleaning		
Total		
Gifts & Donations		
Birthday (annual total/12)		
Holiday Gifts (annual total/12)		
Church Donations		
Charities		
Total		
Education		
School (fees/books/supplies)		
Newspapers/Magazines		
Total		
Entertainment		
Movies/Movie Rentals		
Cable TV		
Athletic Events		
Vacations		
Dining Out		
Computer/Internet		
Hobbies		
Total		
Other		
Credit Card Payments		
Pet Supplies/Care		
Postage		
Miscellaneous		
Total		
MONTHLY TOTALS		

Debt Payment Worksheet

Loans, Credit Cards, and other Debts

<u>Creditor</u>							<u>Total</u>
Starting date							
Total Balance due							
Interest Rate							
January							
Amount paid							
Interest/Charges							
Balance							
February							
Amount paid							
Interest/Charges							
Balance							
March							
Amount paid							
Interest/Charges							
Balance							
April							
Amount paid							
Interest/Charges							
Balance							
May							
Amount paid							
Interest/Charges							
Balance							
June							
Amount paid							
Interest/Charges							
Balance							
July							
Amount paid							
Interest/Charges							
Balance							

Loans, Credit Cards, and other Debts

<u>Creditor</u>							<u>Total</u>
Starting date							
Total Balance due							
Interest Rate							
August							
Amount paid							
Interest/Charges							
Balance							
September							
Amount paid							
Interest/Charges							
Balance							
October							
Amount paid							
Interest/Charges							
Balance							
November							
Amount paid							
Interest/Charges							
Balance							
December							
Amount paid							
Interest/Charges							
Balance							

Money Control Worksheet

Matching money in hand with bills as they arrive is a skill that has to be learned. This worksheet is designed to help you see when bills are due and to set aside money to pay them. With practice you will be able to save money from one payday to another to cover a bill that comes due later in the month.

Divide each expense by the number of weeks in this month and enter the amount in each weekly column across from that expense.

MONTH _____

CASH FLOW						
WEEK	1	2	3	4	5	TOTAL
\$ ON HAND						
\$ RECEIVED						
\$ RECEIVED						
TOTAL						

“PLAN” AMOUNT	EXPENSE						
	Housing						
	Home Maintenance						
	Food						
	Savings						
	Car						
	Personal						
	Insurance						
	Medical						
	Clothing						
	Gift and Donations						
	Education						
	Entertainment						
	Other						
	Total Creditor Debts						
	Total Expenses						
	“On-Hand” in Next Week’s Column						

THE IMPACT OF DEBT ON HOMEOWNERSHIP

The three most common hurdles to homeownership are:

1. High monthly debt payments;
2. Lack of cash for the down payment and closing costs; and
3. Poor or no credit.

There are generally two types of debts: installment loans and revolving debt.

Installment Loans: Auto payments, furniture payments and student loan payments are called installment debts because they have the same payment each month. Often the lender will discount these payments or not include them in the debt calculation if the number of payments remaining is less than 10 months.

Revolving Debt: Visa, MasterCard and department store accounts are examples of revolving debt. The minimum payment on these accounts can go up or down depending on the outstanding balance. The lender will typically use the minimum monthly payment on your most recent statement for calculating your debt.

Assessing Monthly Income and Debt

Lenders typically apply two qualifying ratios to determine a borrower's ability to take on additional debt. The most restrictive ratio in any given case is used to determine the maximum mortgage amount.

The **Housing Expense to Income Ratio** or front ratio is generally expected to be in the 28 to 33 percent range. The ratio is calculated by dividing the homebuyer's gross income by their total housing expense.

The **Total Debt to Income Ratio** or back ratio is also used by lenders to determine if homebuyers can handle a house payment in addition to all monthly recurring payments. The maximum ratio acceptable to the lender is generally in the range of 36 to 41 percent. This ratio is calculated by dividing gross income by all housing expenses plus other recurring monthly debt obligations as described below:

- Installment debt;
- Revolving debt; and
- Other monthly payments such as child support, childcare expenses, alimony and wage garnishments.

Exceptions to the rule: Lenders do not include certain types of monthly bills. For example, telephone and utility bills, auto and life insurance bills, retirement and savings contributions, income and social security taxes and union dues are not used by lenders to determine your total monthly debt payments.

Costs of Becoming a Homeowner

Principal, Interest, Taxes and Insurance (PITI) and other monthly recurring costs are not the only costs of homeownership. When a buyer purchases a home, he or she must provide a down payment and cover the costs associated with closing a real estate transaction. These costs are often referred to as closing costs.

Down Payment: Most lenders require that the homebuyer contribute some cash toward the purchase price of the home. This requirement ensures that the borrower has a vested financial interest in the property and is therefore less likely to walk away. Down payments typically range from three to 20 percent of the purchase price of the home. For the VAMO (Voucher Assisted Mortgage Option), New Hampshire Housing requires three percent with at least one percent of the homebuyer's own money. The other two percent can come from a gift or grant.

Closing Costs: There are a number of costs associated with the transfer of a property. These costs are called closing costs or settlement costs and are typically paid by the borrower unless the seller has agreed to cover some of the costs as part of the purchase agreement. The amount of closing costs varies but as a general rule, closing costs range from three to six percent of the mortgage amount. A list of common closing costs are outlined below.

- **Mortgage Origination Fee:** This fee covers the administrative costs of processing the loan. It may be expressed as a percentage of the loan.
- **Credit Report Fee:** This covers the cost of the credit report, which the lender uses to determine credit worthiness. The credit report fee is generally paid when the borrower applies for the mortgage.
- **Attorney or Escrow Agent's Fees:** The buyer and/or seller may have attorneys or escrow agents involved during the process. The attorney is sometimes the settlement or closing agent and is responsible for preparing all documentation and organizing the closing.
- **Land Survey:** In some cases lenders require a survey of the property before closing. A survey verifies property boundaries and confirms that the legal description of the property as stated in the sales contract is correct.
- **Appraisal Fee:** This pays for the appraisal, which the lender uses to determine whether the value of the property is sufficient to secure the loan. The borrower usually pays the appraisal fee when they apply for the mortgage.
- **Inspection Fees:** Fees paid to property inspectors. Most homes being purchased receive a home inspection. Inspections may also be required to detect termites, radon, lead-based paint and other hazards. With a VAMO mortgage, New Hampshire Housing also requires a Home Quality Standard Inspection done by your Program Monitor, however, there is no charge for this inspection.

- **Title Search:** A title search is done to ensure that the seller is the legal owner of the property and that they are free to sell it. The title search also checks the title records to make sure that there are no liens on the property.
- **Title Insurance:** There are two different types of title insurance. One protects the lender and one protects the homeowner in the event that a title defect is found and another party places a claim against the owner's title.
- **Interest:** At closing, borrowers generally have to pay the interest on the mortgage from settlement to the beginning of the period covered by the first monthly payment.
- **Escrow Accounts:** Depending on the type of loan, a lender may require escrow accounts for payments of property taxes, mortgage insurance and hazard insurance.
- **Prepaid Insurance:** The lender may require the first year's premium or a lump-sum premium on mortgage and hazard insurance at settlement.
- **Recording Fees:** The amount paid to the recorder's office in order to make a document a matter of public record.
- **Transfer Tax:** State tax on the transfer of real property. The tax is based on the purchase price of the home.

Poor or No Credit

Lenders closely scrutinize credit! The borrower's payment history on past obligations will be reviewed to determine whether a borrower is likely to meet mortgage payments in a timely manner.

Lenders review such things as:

Undisclosed debt: If the credit report reveals significant debt that was not reflected on the application the lender will ask for an explanation from the homebuyer.

Revolving accounts: Generally, for credit cards that do not have a minimum payment, five percent of the outstanding balance is used as a monthly expense in the calculation of ratios.

Judgments, garnishments or liens: All obligations must be paid prior to closing and the homebuyer must have established good credit.

Bankruptcies: Bankruptcies must have been fully discharged and the homebuyer must have established good credit. It normally takes 12 to 36 months to reestablish credit.

Generally, if the following is true, the lender will consider the homebuyer's credit acceptable.

Adapted with permission.

Source: Neighborhood Reinvestment Corporation

- No payments 60 days or more past due and no more than two payments 30 days or more past due on revolving accounts (i.e. credit cards).
- No payments 60 days or more past due and no more than one payment 30 days past due on installment accounts (i.e. car payments).
- No payments past due for any housing debt including rent.
- If the homebuyer has any late payments they can expect to be asked to provide a written explanation. This is customary and should be complied with promptly.

Non-Traditional Credit: Many first time homebuyers do not have traditional credit histories. They do not use credit or do not have the type of credit history that appears on a credit report. In these cases a non-traditional credit review can be developed by the lender by evaluating past payment histories for rent, utilities, telephone, etc.

Overcoming Hurdles

Overcoming obstacles will require much effort and planning. The most common obstacles for homeownership are outlined below and potential solutions are provided for consideration.

Problem – Insufficient amount of closing cost money

Potential Solutions:

- Apply for down payment assistance programs.
- Request gift money from a relative.
- Develop a savings plan to accumulate entry cost.
- Start an Individual Development Account.

Problem – Inability to qualify for the necessary mortgage

Potential Solutions:

- Take on no new debt.
- Develop a debt reduction plan.
- Consider a consolidation loan.
- Stay with the same employer for at least two years.
- Begin to document all income.
- Increase income.

Problem – Credit problems

Potential Solutions:

- Make sure the credit record is correct.
- Pay off all past due accounts.
- Develop a corrective action plan.
- Begin to establish a good credit history.
- Seek credit counseling advice from a reliable source.

UNDERSTANDING CREDIT



ARE YOU CREDITWORTHY?.....	22
BECOMING CREDITWORTHY	23
10 Steps for Rebuilding a Credit Record	23
Getting In Touch With Your Creditors	25
Creditor Sample Letter - Partial Payment	27
Creditor Sample Letter - No Payment.....	28
UNDERSTANDING THE COST OF CREDIT	29
Using Credit	29
Count the Cost of Credit	30
Cost of Credit Comparison	31
Credit Card Comparison Worksheet	32
Credit Obligations Worksheet.....	33
UNDERSTANDING CREDIT SCORING	34
Credit Repair Sample Letter - Equifax.....	37
Credit Repair Sample Letter - Experian.....	38
Credit Repair Sample Letter - TransUnion	39
Credit Dispute Form.....	40
Length of Time Problems Stay on Credit Report.....	41
RESOURCES.....	42

ARE YOU CREDITWORTHY?

Good credit is key to being able to borrow the money needed to own your own home. Find out where you stand and learn ways to improve your creditworthiness.

1. Do you pay your bills on time?
2. Do you have sufficient income to manage credit?
3. Do you avoid overdrawing your checking account and overextending your credit?
4. Do you save 5 to 10 percent of your income each month?
5. Have you worked for the same employer for two years or more?
6. Have you lived at the same address for several years?
7. Do you have any assets?
8. Do you already have credit?
9. If so, do you have a good credit history?
10. Have you ever filed for bankruptcy?

These questions are considered when a financial institution decides whether to extend you credit. The importance of some of the questions will vary depending on the type of lender. For example, if you wish to take out a mortgage you will need considerably more assets than for a credit card. A creditor's overall concerns are in three areas.

Ability to repay: Will your income enable you to meet credit obligations? Both your past income and other credit commitments are taken into account.

Assets: Will the value of what you own such as your car, life insurance and savings accounts cover credit obligations in case of default?

Attitude: When you have used credit previously, have you paid as promised? Lenders want to be sure you take your obligations seriously. Stability in employment and residence are also extremely important.

BECOMING CREDITWORTHY

10 Steps for Rebuilding a Credit Record

1. **Pay up all past due accounts:** If you currently have past due credit accounts, you may not be in a position to purchase a house until this problem is resolved. To do nothing will only make matters worse.
2. **Request a copy of your credit report:** Taking a periodic look at the credit report is not just for those with credit problems. Everyone should monitor his or her report on a regular basis. You can request a copy of your triple merged credit report and an advisory report on improving your credit score from New Hampshire Housing if you are a tenant in our Housing Choice Voucher Program (for a small fee). Contact information for the three major credit reporting companies is included in the Resources at the end of this section.
3. **Make sure the credit file is accurate:** The three major credit reporting companies manage a staggering amount of information, so it is easy to understand how a large percentage of credit records contain inaccurate information. For this reason, credit reports should be checked for errors at least once annually. It makes good sense to be proactive making sure that the report is correct.

If inaccurate information is found in the record, contact the credit reporting agency in writing or in person (addresses of the three major credit reporting agencies are included in this section) to dispute any inaccuracies. Any documentation provided to prove the claim will strengthen the case and speed up the investigation process. Be sure to remember to request a copy of the corrected report.

Common credit record errors:

- The credit record includes information for someone with a name similar or identical to yours.
 - The name of a former spouse appears on the credit report.
 - Your name is misspelled, your address is wrong or your social security number is incorrect.
 - Duplicate accounts are listed.
 - Account information is inaccurate or incomplete.
 - The account balances are incorrect.
 - Paid-off or closed accounts are reported as open.
 - Outdated information is included.
 - Account information does not relate to you.
 - Unauthorized inquiries are listed.
 - Report fails to show paid tax liens as satisfied.
 - All accounts included in bankruptcy are not identified.
4. **Write an explanation letter:** Letters explaining the reason for negative credit can sometimes strengthen a credit record and/or loan application. This is especially

important if negative information is due to an administrative error or an unusual circumstance beyond your control. It would also be wise to send a copy of this letter to the three major credit reporting agencies and request that it become a permanent part of your credit file. This will insure that any creditor who pulls the credit report will have the opportunity to take the explanatory letter into consideration before granting or denying credit.

5. **Negotiate with creditors:** Another option for dealing with negative but accurate credit information is to try to negotiate with creditors to get the information removed from the file. Remember, the negotiating should be done in person whenever possible. In some cases creditors will be willing to accept only a portion of the debt owed in exchange for removing the negative information from the record.
6. **Add positive histories to the file:** All creditors do not report account information to credit bureaus. If a review of a report indicates that an account with a good payment history is missing from the file, or other positive account information is omitted, steps can be taken to get it added. You can request that the creditor report it to the credit bureau. This is helpful if chances of getting credit in the future would be improved with the additional information.
7. **Add stability to the file:** Send the credit bureau documentation showing steady employment, long-term residence, and positive information about checking and savings accounts.
8. **Get credit in your own name:** Every adult should maintain an individual credit history. Obtaining credit in your own name may protect you if you are divorced, widowed, or if your spouse happens to suffer financial reversals.
9. **Start making payments in a timely manner:** Start making payments on account balances in a timely manner as agreed. Your credit history will begin to improve quickly. If you do not have a credit account, open one. You must be able to prove that you are capable of making payments on time.
10. **Open a passbook savings loan:** Take some of the money that has been saved and open a passbook savings account. Then, ask the bank to approve a loan using the savings account as collateral. Give the passbook to the bank, so they take no risk. Make the payments as agreed and establish credit. Be sure the bank reports the loan to the credit bureaus.

Getting in Touch with Your Creditors

A creditor is someone to whom you owe money. It is important to contact creditors when you have trouble paying your bills. Many creditors will work with you. They need to know the facts about your money problems and that you want to pay your bills. They may agree to lower your monthly payments or make some other arrangements.

Although it may be hard to talk to creditors, they are more likely to adjust bills if you are honest about your problems. Not all creditors will agree to work with you. If they won't lower your payments, you are still legally bound to meet the terms of the credit contract.

Contact creditors before your bills are overdue: Avoiding your creditors is the worst thing you can do if you have problems paying your bills. Just letting creditors know you have a problem may be enough to convince them you plan to pay. If you ignore overdue notices, your bill may go to a collection agency. A creditor may be more cooperative than a collection agency.

Getting in touch in person: If you feel uneasy about going to creditors, you might "practice" by visiting one to whom you owe a small amount. If this creditor refuses to make changes, learn from the experience. Use what you learned when you meet with the next creditor. You may need to visit all creditors to work out a plan.

It's best to call and set up a meeting. When you call:

- Ask to speak to the person in charge of bill payment problems;
- Explain your problem briefly; and
- Ask if there is anything you need to bring to the meeting.

Before the meeting:

- Make a list of how much you make and what you spend it on;
- Review your credit agreement; and
- Develop a reasonable plan. Decide how much to pay on each bill and when to pay.

At the meeting:

- Explain your situation and how long you expect your money problems to last;
- Tell how much money you make and how you plan to pay your bills;
- Ask the creditor to reduce payments for a while or let you pay only the interest; and
- Stress that you want to work out an acceptable plan. If your plan isn't good enough, ask what the creditor suggests. If you both agree, write down the plan as you understand it. Send a copy to your creditor.

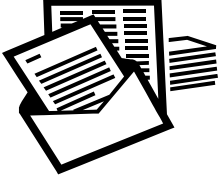
If you can't see a creditor in person, think about whether to write a letter or call on the phone. If you think you can pay your bills soon and the bill is small, a letter may be best. A letter gives a written record of how you plan to pay your bills. However, a phone call will let you know sooner if the creditor will accept your proposed plan. You can follow your phone call with a letter about what you have verbally agreed to do.

Getting in touch by mail: If you can pay some of the bill and have a plan for paying in the future, see *Sample Letter 1*. If you cannot make a payment, see *Sample Letter 2*. Change them as needed to fit your specific situation. Type the letter or write neatly. Keep a copy of the letter. You will need it when you get a letter or a call from the creditor.

Getting in touch by phone: When you contact a creditor by phone, ask to speak to the person in charge of adjusting bill payments. The person who answers the phone often can't make payment changes. Wait to explain your problem until you have reached a manager or a supervisor. Explain the reasons you can't pay your bill and how much you can pay now. If the creditor doesn't accept your plan, ask for specific suggestions of what to do. Stress the need to work together to get the bill paid. Keep a record of each call, including the date, who you talked to and any decisions made.

After getting in touch: Remember, even after you have contacted your creditors, you still have to pay your bills. Try to keep up with the payments you have agreed to. Creditors will be less likely to give you a break the second time around. Until you get back on your feet, don't use any more credit.

Creditor Sample Letter - Partial Payment



Use this letter when you can send part of the bill, but not all of it. Be truthful and specific about your problem (like being laid off, accident or long illness, lower work hours, divorce, etc.) and how long you expect it to last. Do not promise to do anything that you may not be able to follow through on.

Date
Your Address
Account #

Name of Creditor
Address
City, State, Zip

Attention: Delinquent Account Representative

Dear Sir or Madam:

Due to (list the reason for your money problem), my income has decreased. I can't make the entire payment on the above account now. I have enclosed a reduced payment of \$.

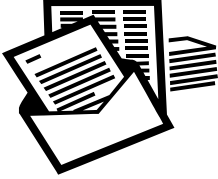
By carefully adjusting my budget, I expect to send a (weekly, monthly, quarterly) payment of \$. If these terms aren't acceptable, please contact me to discuss another arrangement. I will not take on additional debt until I am on sound financial standing. I will increase my payment as soon as possible.

I can be reached by telephone at ___ - ___ - ___ between the hours of __ : __ and __ : __.

Sincerely,

Your Name

Creditor Sample Letter - No Payment



Use this letter if you can't send a payment now. Be truthful and specific about your problem (like being laid off, accident or long illness, lower work hours, divorce, etc.) and how long you expect it to last. Do not promise to do anything that you may not be able to follow through on.

Date
Your Address
Account #

Name of Creditor
Address
City, State, Zip

Attention: Delinquent Account Representative

Dear Sir or Madam:

Due to (list the reason for your money problem), my income has decreased. I can't make the scheduled payment on the above account.

By carefully adjusting my budget, I expect to send a (weekly, monthly, quarterly) payment beginning (list date) of \$ _____. If these terms aren't acceptable, please contact me to discuss another arrangement. I will not take on additional debt until I am on sound financial standing. I will increase my payment as soon as possible.

I can be reached by telephone at ____ - ____ - ____ between the hours of __ : __ and __ : __.

Sincerely,

Your Name

UNDERSTANDING THE COST OF CREDIT

Using Credit

Advantages

- You can take advantage of sale price savings.
- It gives you the ability to handle emergencies.
- You establish a credit record.
- You can make purchases when it is convenient.
- You can use a credit card instead of your savings.

Disadvantages

- You may be tempted to overspend.
- If you misuse credit it can lead to a poor credit record.
- Your future earnings are committed.
- Finance charges increase the true cost.
- Credit may provide you with a false sense of security.

Added costs of using credit

- Annual fees.
- Interest (fixed or variable).
- Late charges.
- Overline fees (fees for spending beyond your credit limit).
- Fewer days in grace period.

Before you buy on credit . . .

- Have you shopped around for the best sale price?
- Have you shopped around for the best credit terms?
- Would you buy this item if you had the cash?
- If you co-sign for someone, can you make the payments?
- Can you afford the payments?
- Are you buying the item only because it is on sale?

Credit Card Tips

- Never lend your card to anyone.
- Never leave your card or receipts lying around.
- Destroy all carbons and incorrect receipts.
- Never put your card number on a postcard or on the outside of an envelope.
- Never give your card number over the phone, unless you are certain the company or organization is reputable.
- Sign your credit card in ink when it arrives.



Adapted with permission.

Source: AHEAD "Beyond the Basics"

- Keep a record of your card number, expiration date, and phone number and address of the card company in a safe place; don't keep this information in your wallet.
- Whenever possible do not sign a blank receipt.
- Draw a line through blank spaces on charge slips above the total so the amount cannot be changed.
- Open billing statements promptly and compare them with receipts you have saved.
- Write promptly to the credit card issuer if any questionable charges appear on your statement.

How to Reduce Credit Card Debt

- Find out how much is owed.
- Pay more than the minimum.
- Send your payment in ASAP.
- After one debt is paid off, increase payment to your other creditors.
- Refuse minimum payment of \$0.
- Never skip a payment.
- Consolidate your cards.
- Refinance high rate cards for a lower rate (beware of "teaser" short term rates).
- Consider using your savings to pay off higher rate cards.

Count the Cost of Credit

Credit is not free money. Check the APR on your credit card or loan statement to see what it's costing you. The interest you'll pay each year if your average daily balance is:

APR	\$1000	\$2000	\$3000	\$4000
12.0%	\$120	\$240	\$360	\$480
12.5%	\$125	\$250	\$375	\$500
13.0%	\$130	\$260	\$390	\$520
13.5%	\$135	\$270	\$405	\$540
14.0%	\$140	\$280	\$420	\$560
14.5%	\$145	\$290	\$435	\$580
15.0%	\$150	\$300	\$450	\$600
15.5%	\$155	\$310	\$465	\$620
16.0%	\$160	\$320	\$480	\$640
16.5%	\$165	\$330	\$495	\$660
17.0%	\$170	\$340	\$510	\$680
17.5%	\$175	\$350	\$525	\$700
18.0%	\$180	\$360	\$540	\$720
18.5%	\$185	\$370	\$555	\$740
19.0%	\$190	\$380	\$570	\$760
20.0%	\$200	\$400	\$600	\$800
20.5%	\$205	\$410	\$615	\$820
21.0%	\$210	\$420	\$620	\$840
21.5%	\$215	\$430	\$645	\$860
22.0%	\$220	\$440	\$660	\$880
22.5%	\$225	\$450	\$675	\$900

The longer you wait, the more you will pay!

Adapted with permission.

Source: AHEAD "Beyond the Basics"

Cost of Credit Comparison



Credit Card

Amount:	\$5,000.00
Interest Rate:	15%
Terms:	Minimum Monthly Payment (2% of balance)
Monthly Payment:	Approximately \$100.00
Total Payments:	\$12,700.00
Repayment Period:	32 years



Installment Loan

Amount:	\$5,000.00
Interest Rate:	15%
Terms:	48 Months
Monthly Payment:	\$139.15
Total Payments:	\$6,679.20
Repayment Period:	4 years

Credit Card Comparison Worksheet

	Credit Card 1	Credit Card 2	Credit Card 3
Company Name			
Interest Rate (APR)			
Annual Fee			
Credit Limit			
Minimum Payment			
Over Limit Fee			
Late Fee			
Cash Advance Interest Rate			
Length of Billing Cycle			
Purchase Protection			
Additional Benefits			
Other:			

UNDERSTANDING CREDIT SCORING

Have you ever wondered how a creditor decides whether to grant you credit? For years, creditors have been using credit scoring systems to determine if you would be a good risk for credit cards and auto loans. More recently, credit scoring has been used to help creditors evaluate your ability to repay home mortgage loans. Here's how credit scoring works in helping decide who gets credit and why.

What is credit scoring?

Credit scoring is a system creditors use to help determine whether to give you credit. Credit scores are based on the information in your credit bureau record. The majority of scores are between 350 and 850 with the higher the score the better.

Information about you and your credit experiences, such as your bill-paying history, the number and type of accounts you have, late payments, collection actions, outstanding debt and the age of your accounts is collected from your credit application and your credit report. Using a statistical program, creditors compare this information to the credit performance of consumers with similar profiles. A credit scoring system awards points for each factor that helps predict who is most likely to repay a debt. A total number of points – a credit score – helps predict how creditworthy you are, that is, how likely it is that you will repay a loan and make the payments when due.

Because your credit report is an important part of many credit scoring systems, it is very important to make sure it is accurate before you submit a credit application. To get copies of your report, you can contact the three major credit reporting agencies, please refer to the table below for the correct phone number to call. These agencies may charge you for your credit report. As of September 2005, you will be able to request one free credit report from each credit reporting agency once a year.

Credit Agency	Phone Number for Ordering Credit Reports	Phone Number for Disputing Credit Reports
Experian	1-888-397-3742	1-888-397-3742
Equifax	1-800-685-1111	On Credit Report (individually)
TransUnion	1-800-916-8800	1-800-916-8800

Why is credit scoring used?

Credit scoring is based on real data and statistics, so it usually is more reliable than subjective or judgmental methods. It treats all applicants objectively. Judgmental methods typically rely on criteria that are not systematically tested and can vary when applied by different individuals.

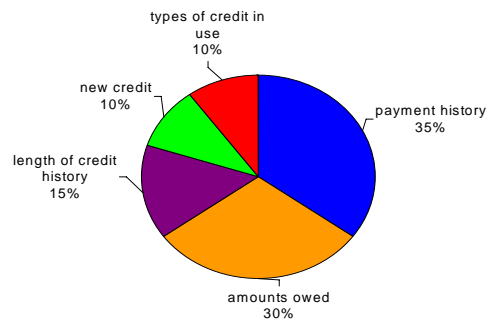
What can I do to improve my score?

Credit scoring models are complex and often vary among creditors and for different types of credit. If one factor changes, your score may change – but improvement generally depends on how that factor relates to other factors considered by the model. Only the

Adapted with permission.

Source: Federal Trade Commission

creditor can explain what might improve your score under the particular model used to evaluate your credit application. Nevertheless, scoring models generally evaluate the following types of information in your credit report.



Have you paid your bills on time?

Payment history typically is the most significant factor. It is likely that your score will be affected negatively if you have paid bills late, had an account referred to collections or declared bankruptcy, if that history is reflected on your credit report. Some cases have more impact than others. The more recent and the more frequent the missed payments, the higher the impact would be. The longer you pay your bills on time, the better your score could be.

What is your outstanding debt?

Many scoring models evaluate the amount of debt you carry compared to your credit limits. If the amount you owe is close to your credit limit, it is likely to have a negative effect on your score.

How long is your credit history?

Generally, models consider the length of your credit track record. An insufficient credit history may have an effect on your score, but that can be offset by other factors, such as timely payments and low balances.

Have you applied for new credit recently?

Many scoring models consider whether you have applied for credit recently by looking at “inquiries” on your credit report when you apply for credit. If you have applied for many new accounts recently, that may negatively affect your score. However, not all inquiries are counted. Inquiries by creditors who are monitoring your account or looking at credit reports to make “prescreened” credit offers are not counted.

How many and what types of credit accounts do you have?

Although it is generally good to have established credit accounts, too many credit card accounts may have a negative effect on your score. In addition, many models consider the type of credit accounts you have. For example, under some scoring models, loans from finance companies may negatively affect your credit score.

Scoring models may be based on more than just information in your credit report. For example, the model may consider information from your credit application as well: your job or occupation, length of employment, or whether you own a home.

To improve your credit score under most models, concentrate on paying your bills on time, paying down outstanding balances and not accumulating any new debt. It’s likely to take some time to improve your score significantly.

How reliable is the credit scoring system?

Credit scoring systems enable creditors to evaluate millions of applicants consistently and impartially on many different characteristics. However, to be statistically valid, credit scoring systems must be based on a big enough sample. Remember that these systems generally vary from creditor to creditor.

Although you may think such a system is arbitrary or impersonal, it can help make decisions faster, more accurately and more impartially than individuals when it is properly designed. And many creditors design their systems so that, in marginal cases, applicants whose scores are not high enough to pass easily or are not low enough to fail absolutely are referred to a credit manager who decides whether the company or lender will extend credit. This may allow for discussion and negotiation between the credit manager and the consumer.

What happens if I am denied credit or don't get the terms I want?

If you are denied credit, the Equal Credit Opportunity Act requires that the creditor give you a notice that tells you the specific reasons your application was rejected or the fact that you have the right to learn the reasons if you ask within 60 days. Indefinite and vague reasons for denial are illegal; so ask the creditor to be specific. Acceptable reasons include: "Your income was low" or "You haven't been employed long enough." Unacceptable reasons include: "You didn't meet our minimum standards" or "You didn't receive enough points on our credit scoring system."

If a creditor says you were denied credit because you are too near your credit limits on your charge cards or you have too many credit card accounts, you may want to reapply after paying down your balances or closing some accounts. Credit scoring systems consider updated information and change over time.

Sometimes you can be denied credit because of information from a credit report. If so, the Fair Credit Reporting Act requires the creditor to give you the name, address and phone number of the credit reporting agency that supplied the information. You should contact that agency to find out what your report said. This information is free if you request it within 60 days of being turned down for credit. The credit reporting agency can tell you what is in your report, but only the creditor can tell you why your application was denied.

If you've been denied credit, or didn't get the rate or credit terms you wanted, ask the creditor if a credit scoring system was used. If so, ask what characteristics or factors were used in that system and the best ways to improve your application. If you get credit, ask the creditor whether you are getting the best rate and terms available and, if not, why. If you are not offered the best rate available because of inaccuracies in your credit report, be sure to dispute the inaccurate information in your credit report.

The following are examples of dispute letters for each of the credit reporting agencies.

Credit Repair Sample Letter - Equifax

Date

Equifax Credit Information Services
PO Box 740241
Atlanta, GA 30374-0241

RE: Request to Update Report

To Whom It May Concern:

I recently received a copy of my credit report and located the following problems of inaccurate reporting. Please see the attached copy of the credit report, with these item numbers written next to the problem entries.

1. Chapter 13 Bankruptcy Case Number 9208430 was dismissed.
2. Rotech Medical Account Number 1997 is not mine.
3. Sterling Bank & Trust Account Number 545315100209 is not mine.

Under the provision of the Fair Credit Reporting Act, Section 611A, please reinvestigate and “update” these items. Thirty days constitutes a “reasonable time” for verification of these entries, unless otherwise notified. I expect that these items will be updated on my credit file.

Also, pursuant to Section 611D of the Fair Credit Reporting Act, please send me notification that the items have been updated. You may send an updated copy of my credit report to the following address. According to Section 612 of the FCRA, there should not be a charge.

Sincerely,

Name
Address
SSN

Credit Repair Sample Letter - Experian

Date

Experian
PO Box 2002
Allen, TX 75002-2002

RE: Request to Update Report

To Whom It May Concern:

I recently received a copy of my credit report and located the following problems of inaccurate reporting. Please see the attached copy of the credit report, with these item numbers written next to the problem entries.

1. Sterling Bank & Trust Account Number 545315100209 is not mine.

Under the provision of the Fair Credit Reporting Act, Section 611A, please reinvestigate and “update” these items. Thirty days constitutes a “reasonable time” for verification of these entries, unless otherwise notified. I expect that these items will be updated on my credit file.

Also, pursuant to Section 611D of the Fair Credit Reporting Act, please send me notification that the items have been updated. You may send an updated copy of my credit report to the following address. According to Section 612 of the FCRA, there should not be a charge.

Sincerely,

Name
Address
SSN

Credit Repair Sample Letter - TransUnion

Date

CB Services of Upstate New York
PO Box 1370
Buffalo, NY 14231-1370

RE: Request to Update Report

To Whom It May Concern:

I recently received a copy of my credit report and located the following problems of inaccurate reporting. Please see the attached copy of the credit report, with these item numbers written next to the problem entries.

1. Chapter 13 Bankruptcy Case Number 9208430 was dismissed.
2. General Hospital Medical Account Number 2111 has been paid.
3. Sterling Bank & Trust Account Number 545315100209 is not mine.

Under the provision of the Fair Credit Reporting Act, Section 611A, please reinvestigate and “update” these items. Thirty days constitutes a “reasonable time” for verification of these entries, unless otherwise notified. I expect that these items will be updated on my credit file.

Also, pursuant to Section 611D of the Fair Credit Reporting Act, please send me notification that the items have been updated. You may send an updated copy of my credit report to the following address. According to Section 612 of the FCRA, there should not be a charge.

Sincerely,

Name
Address
SSN

Credit Dispute Form

Full name: Last _____ First _____ Middle _____
Current Address _____
Former Address _____
Social Security# _____ Home _____
Date of Birth _____ Work Phone _____
Employer _____
Spouse Name _____ Spouse Social Security # _____

Credit Report Dispute / Account Information Dispute Section

Company Name _____ Account # _____
 Not my account Was never late Account paid in full
 Current status incorrect Other Dispute
Explanation _____

Company Name _____ Account # _____
 Not my account Was never late Account paid in full
 Current status incorrect Other Dispute
Explanation _____

Company Name _____ Account # _____
 Not my account Was never late Account paid in full
 Current status incorrect Other Dispute
Explanation _____

Courthouse or Collection Agency Accounts

Courthouse or Collection Agency _____
Case number for courthouse records only _____
 Not Mine (explain) Satisfied Released Dismissed
 Discharged Collection was paid Other (explain)
Explanation _____

Courthouse or Collection Agency _____
Case number for courthouse records only _____
 Not Mine (explain) Satisfied Released Dismissed
 Discharged Collection was paid Other (explain)
Explanation _____

I certify that all information above is true and factual.

Signature _____ Date _____

Length of Time Problems Stay on Credit Report

Bankruptcy	ten years from date of entry or the date of judgment
Suits and Judgments	seven years from the date of entry or until the governing statute of limitation has expired, whichever is longer
Tax Lien	seven years from the date of payment
Collections/Charge-Offs	seven years from the date placed in collection or from the date of charge-off
Records of arrest, indictment,	seven years from date of incident dispositions, parole
Any other adverse information	seven years from date of delinquency action
Inquiries	two years from the date of entry

Additional Information

- A divorce decree does not supersede the original contract with the creditor and does not release a consumer from legal responsibility. To release a consumer from liability, the consumer must contact each creditor and request a legal release of obligation. Only after the release has been approved can the credit history be updated.
- The balance reported should be the balance on the date the creditor reported the information to the credit bureau. Creditors report information on a periodic basis, so the balance reported might not be the actual balance owed.
- If an investigation results in changing or deleting information, the consumer may request that an updated credit report be sent to him or her and to any creditor that has requested a copy of the consumer's report in the past six months. The consumer can also request that an update be sent to any company that has requested a copy of the credit report in the past two years.

RESOURCES

General Consumer Protection Resources

The Federal Trade Commission (FTC) is your national source for information about debt and credit laws that protect you, the consumer. They cannot address your individual situation – go to bat for you, specifically – but they do provide information either online or through the mail, and track consumer complaints nationwide, looking for patterns that signal common problems.

- Consumer Credit Website: <http://www.ftc.gov/bcp/menu-credit.htm>
- *Knee Deep in Debt*: <http://www.ftc.gov/bcp/online/pubs/credit/kneedeep.htm>
- Phone: 1-877-FTC-HELP

State Attorney General covers some of the same consumer protection on the state level that the FTC covers on the national level.

- <http://www.doj.nh.gov> (New Hampshire Listing)
- <http://www.naag.org/about/ag1.cfm> (National Listing)

Your local **Better Business Bureau (BBB)** is a good source for complaints about specific companies and organizations in your area. They might be able to help you check out a particular debt counseling service to see if it's a reputable organization or tell you if a particular creditor (somebody you owe) has a history of taking advantage of consumers.

- Find your local BBB: <http://www.bbb.org/BBBComplaints/lookup.asp>
- Check the complaint record of a local company:
<http://www.bbb.org/reports/bizreports.asp>
- Phone: Look under “Better Business Bureau” in your local phone book or dial (703) 276-0100 for the National Council of BBB’s.

Consumer’s Union is the non-profit publisher of *Consumer Reports* magazine. Its website is a good source for information regarding the latest in credit and bankruptcy laws.

- Website: <http://www.consumersunion.org/finance/finance.htm>
- Phone for National Headquarters: (914) 378-2000

Websites for Understanding and Improving Your Credit Rating

- “The Lowdown on Your Credit Rating”:
<http://www.fool.com/Specials/2001/sp010315.htm>

- “A Fool’s Guide to Credit Scoring”:
<http://www.fool.com/specials/2000/sp000807.htm>

Three Major National Credit Bureaus

Experian:

- Website: <http://www.experian.com>
- Phone: 1-888-397-3742
- Address: Experian, PO Box 2002, Allen, TX 75002-2002

Equifax Credit Information Services:

- Website: <http://www.equifax.com>
- Phone Number for Ordering Credit Reports: 1-800-685-1111
- Phone Number for Credit Report Inquiry/Dispute: On Credit Report - Individually
- Address: Equifax Credit Information Services, PO Box 740241, Atlanta, GA 30374-0241

TransUnion:

- Website: <http://www.transunion.com>
- Phone: 1-800-916-8800
- Address: CB Services of Upstate New York, PO Box 1370, Buffalo, NY 14231-1370

Other useful websites:

- <http://www.bankrate.com>: Gives up-to-date information on current loan interest rates. A good news source for tracking proposed changes to consumer debt laws.
- <http://www.cardweb.com>: A great site for comparing offers across many credit card companies. The site eliminates the need to sift through mail offers and provides interesting statistics on U.S. consumer debt.
- <http://www.myvesta.org>: Offers some excellent resources for getting out of debt.

FINDING THE HOME THAT IS RIGHT FOR YOUR FAMILY



BALANCING THE DREAM AND REALITY: SEPARATING NEEDS FROM WANTS45
 Needs and Wants Checklist..... 46

Finding Your New Home47
 Touring Prospective Homes..... 48
 House Hunting Checklist 50
 Home Evaluation Checklist 51
 Scoping Out the Sellers..... 52
 Negotiating Offers..... 53

BALANCING “THE DREAM” AND “REALITY”: SEPARATING NEEDS FROM WANTS

For most families, their “wants” list is far longer than their “needs” list, especially when it comes to buying a home. When you begin your search for the right home, the most important thing to do is to make a list of the features you feel are necessary. This will help you identify priorities as you look at different houses.

It is unlikely (but not impossible) that your dream house will be easy to locate so being flexible is a requirement in searching for a suitable house. It may be necessary to trim your desired features to keep the house affordable.

You should be realistic about what would be necessary to move a potential house into the dream house category. If the dream and reality are too far apart you may need to reassess the dream. A home purchase is usually a long-term investment so future as well as present needs must be considered.

If you view a particular feature as a want but cannot imagine living without it, a house that is missing that feature may not be a realistic possibility. It is important to remember that special or unusual features in a property usually drive the price up.

When you begin your search for the right home, the most important thing to do is to make a list of the features you feel are necessary. This will help you identify priorities as you look at different homes. The Needs and Wants Checklist on the following page will help with this goal.

The House Hunting Checklist will aid in narrowing the search of possible homes and neighborhoods, saving you valuable time by avoiding homes that do not meet your needs.

Most homebuyers spend only a few minutes in each home they tour, and then later spend hours trying to remember floor plans, carpet colors, storage space, etc. The Home Evaluation Checklist will help you compare the features of various properties. You can use this tool to compare homes.

Needs and Wants Checklist

FEATURES	NEEDS	WANTS
LOCATION		
School District		
Neighborhood		
Public Transportation		
Near Family		
Near Friends		
Near Work		
Near Highway		
Quiet Street		
City Water/Sewer		
Other		
STYLE		
Older		
Newer		
Traditional		
Contemporary		
Two-Story		
Split-Level		
Garage		
Other		
INTERIOR		
House Size		
# Bedrooms		
# Bathrooms		
Kitchen Size		
Living Room Size		
Family Room		
Dining Area		
Laundry Room		
Other		
EXTERIOR		
Exterior Type		
Landscaping		
Porch		
Deck		
Large Yard		
MECHANICAL SYSTEMS		
Heating and A/C Type		
OTHER		
OTHER		
OTHER		

FINDING YOUR NEW HOME

Choosing a Real Estate Agent

There are three basic roles in the real estate business: a seller's broker, a seller's agent, and a buyer's broker. A broker is licensed by the state to conduct a real estate business and to negotiate transactions for a fee. Typically, the broker manages the real estate firm and has several agents working under him or her. Both brokers and agents can sell homes. An agent is a broker's representative and is usually an independent contractor rather than an employee. He or she is permitted to sell real estate under the supervision of a licensed broker.

There are two types of representatives: the seller's agent and the buyer's broker. In many cases the two are confused. Here is the way this works.

Most real estate transactions involve a seller's agent whose primary job is to market the home for the seller and find a buyer. The seller enters into a contract with the selling agent for the sale of the home. The goal of the seller's agent is to sell the property for the highest price possible. The agent's loyalty is to the seller, with whom they have a contract. They have a legal obligation to act in the seller's best interests. They are obligated to divulge any information to the seller that is in his or her best interest.

Buyers should be careful not to offer too much information. For example: If the buyer has told the seller's agent the maximum amount that he is willing to pay for the property, the seller's agent will most likely inform the seller. In which case, the potential for the buyer to negotiate the price downward is slim.

The seller's agent can help the buyer find a home and arrange for viewing the property. However, when the time comes to offer a contract, the agent's allegiance is completely with the seller.

The buyer's broker works for the buyer. They enter into a contract in which the broker agrees to work only for the buyer. The buyer's broker fee is commonly paid by the seller. If this is the case, the buyer's broker splits the commission with the seller's agent. For first-time homebuyers, it is especially helpful to have an agent who works only for them. The buyer's broker can help with arranging financing, represent the buyer at the closing, or most importantly, help write the purchase offer that is most favorable to the buyer.

Homebuyers should work with only one agent at a time. If a buyer becomes dissatisfied with the agent initially selected, the homebuyer should find another agent. Some key qualities to look for in a broker and/or agent are experience, commitment and education.

Conduct Interviews: Before you hire an agent to help you buy a home, interview at least three agents in person. First get recommendations from friends, family and neighbors. Then look on the web, in homes magazines and the local newspaper to see what kind of marketing the various companies are doing in your area and call a few that

impress you. Make brief fact-finding calls to determine which of the agents on your list are full time and experienced, and what is his/her education background. You may need to call 10 to 15 agents in order to find three that are worth interviewing. The interview itself need not be a formal one. It is simply an opportunity for you to meet with them to explain your needs and to determine whom you would be comfortable working with. Ask whatever questions you like, or simply explain your goals and listen carefully to what they propose to do to meet your needs.

The Decision: If you follow these suggestions, you will find that there are excellent agents working for firms large or small, both franchised and independent. The real decision must be made based on who you feel comfortable working with on a day-to-day basis.

Touring Prospective Homes

Many people, especially first-time homebuyers, often are so eager to buy a house that they fail to take the time to do a thorough job of evaluating potential prospects. Studies show that the average homebuyer looks at 16 to 25 homes before finding or selecting one to buy. Be well prepared for each viewing so that features of various homes are not confused as possibilities are narrowed.

Following is a list of things to remember when you tour each house.

- Wear comfortable clothes.
- Take a tape measure, flashlight and camera.
- Take down notes about the features of each room.
- Indicate special items like fireplaces and decks.
- Use the flashlight to see into dark areas, such as the attic or basement.
- Check for water damage and ask about recently repaired areas.
- Don't be shy about peering into closets or turning on faucets. Most sellers understand that their home is on display. You have the right to fully inspect the sale property.
- Find out what is included in the sale property and what is not. Most sellers will include some of the appliances and possibly the window coverings.
- After the initial tour is finished, go back and measure the room sizes. This will be beneficial in helping decide possible furniture placement.
- After the tour of the interior is done, inspect the exterior.

- Take pictures of the outside, front and back of each house if possible. Include a street scene showing the surrounding homes.
- Pictures can be very valuable later as you narrow the purchase possibilities.
- The neighborhood is just as important as the house and property. After leaving the home, take a look around the neighborhood.

House Hunting Checklist

	<u>YES</u>	<u>NO</u>	<u>?</u>
Is the neighborhood safe?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the homes in the neighborhood well maintained?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the house have enough bathrooms and bedrooms?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there enough storage space?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there good schools in the area?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the location of the house and neighborhood convenient?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there a homeowners association in the neighborhood?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the neighborhood quiet?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the floor plan suit your life style?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the house energy efficient?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the grounds easily cared for?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What community services are available? (ambulance, fire, police, garbage)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are recreational facilities nearby?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there good resale possibilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the house have a garage?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the appliances and fixtures adequate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the average utility costs?	_____		
What are the average maintenance costs for this house?	_____		
How high are the property taxes in this area?	_____		
Can you and your family be happy living here?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Home Evaluation Checklist

Use this checklist to rate each home you see.

1. Location: _____

2. Asking Price: \$ _____ Mortgage: \$ _____

3. Neighborhood: Ideal Acceptable Poor

Comments about neighborhood: _____

4. Type and Construction: _____

5. Condition: Excellent Good Poor

Comments about condition: _____

6. Rooms: Bedrooms _____ Baths _____

Living Room _____ Dining Room _____

Kitchen _____ Other _____

7. Type of Heat/Air: _____

Comments about heat/air systems: _____

8. Miscellaneous: Lot Size _____ Taxes _____

Garage _____ Fireplace _____

Porch _____ Transportation _____

Schools _____

Stores _____

9. Overall Comments:

Scoping Out the Sellers

Find out as much as possible about the sellers starting with the first visit. Accurate information is key to price negotiation when making an offer. Some tips for scoping out the seller are as follows:

- It is helpful to know if the seller is really motivated to sell the property. Ask why the house is for sale.
- Ask the seller or seller's agent questions about the house and property. The condition of the following will help determine if the house has been well maintained.
 - Appliances
 - Heating and cooling systems
 - Roof
 - Electrical systems
 - Plumbing systems

While it is important to communicate with the seller, disclose as little as possible to the seller or his agent. For example, you may be at a disadvantage if the seller discovers that you have a lease that is about to expire and that you are very anxious to buy the home.

Information about the age of the home, square footage, property taxes, lot size and sewer and water information are usually provided by the agent.

Negotiating Offers

If you have been pre-approved you know what you can afford. Next, a decision must be made about how much to offer for the selected property. When you make a decision on which house to buy, a purchase offer is made through your real estate agent. This is referred to as a Purchase and Sales Agreement. The amount of the offer should be determined after considering several factors:

- The typical sales price of homes in the area that have approximately the same features as the home selected;
 - You can obtain this information by reviewing recent sales transactions at the local courthouse. A buyer's broker can also do this research.
- The condition of the home and any repairs or improvements that are needed;
 - The offer may acknowledge these items and be adjusted depending on whether you or the seller will do them.
- The amount of money that you are pre-qualified to borrow;
- The availability of similar homes in the area in the desired price range;
- How long the house has been on the market;
 - In many cases if the house has been for sale a long time the seller will be more willing to make a deal.
- Whether the price has already been reduced;
 - If the price has already been reduced this is usually an indication that the seller is willing to accept less than he or she originally intended.
- Whether the seller is considering any other offers at this time;
 - If the seller has several offers on the house now and this is the house you are really sold on, you may want to make an offer that is closer to the asking price.

It is important to remember that every element of a potential deal can be negotiated. Good negotiating has more to do with knowing exactly what the seller really wants from a deal than it does with playing the role of tough bargainer.

Do not rely on the real estate agent for assistance in determining what to offer unless the agent is a buyer's broker. Remember, in most cases the agent involved is obligated to get the highest price for the seller. Typically, sellers are willing to come down from three to five percent from their asking price. This is not a hard and fast rule; seller flexibility on the sale price is based on many factors.

Some sellers are firm in their asking price and the real estate agent may tell you this. If you cannot get the seller to come down to an acceptable price you can negotiate in other areas. Perhaps the seller will make some additional improvements to the property if you agree to buy at the seller's price.

Some buyers prefer to bluff the seller by offering a price that is well below what he is actually willing to pay. Though this strategy can sometimes pay off, it will occasionally backfire if the seller gets insulted and refuses to negotiate. It is better to be fair and reasonable.

The seller's real estate agent usually knows what price the seller will ultimately accept for the house. The seller's agent may tell you that he or she knows the seller will not accept the offer.

Although the agent has a good idea of what conditions will make or break the deal, he or she is legally obligated to present all offers to the seller anyway.

Contingencies

The Purchase and Sales Agreement contains contingencies in addition to the amount of money that you are proposing to pay for the property. Contingencies are conditional events that must happen in order for you and the seller to conclude the transaction. All details of the contingencies should be listed in written form on the Purchase and Sales Agreement. Some typical contingencies include:

- Items of personal property that may stay or go, such as appliances, window coverings and ceiling fans;
- Your ability to get a specific type, amount and rate of financing;
- Your ability to complete the sale of a present home before a certain date;
- The unit passes a home inspection;
- Specific repairs that will be made;
- The seller's agreement to let you move in prior to closing;
- Repairs that the seller agrees to make prior to the sale;
- Your agreement to allow the sellers to rent the home after closing for a certain period of time. If the seller is to occupy (rent) the property for any length of time after closing, you should be instructed to have a separate occupancy agreement drawn up as part of the actual contract. The occupancy agreement should spell out the length of occupancy and the amount of financial compensation due.

FINANCING YOUR HOME



MORTGAGE PRODUCTS	56
New Hampshire Housing Products	56
VA-Guaranteed Loan	57
FHA Loans	57
HUD 203 (k) Program.....	58
Rural Development	58
Rural Development Home Improvement and Repair Loans and Grants	58
Conventional Loan	59
MORTGAGE APPLICATION CHECKLIST	60
PREDATORY LENDING	61
Resources	63

MORTGAGE PRODUCTS

New Hampshire Housing Products

The Voucher Assisted Mortgage Option (VAMO) provides an opportunity for very-low income families to purchase a home and use the Housing Choice Voucher as a portion of their monthly mortgage payment. This option follows all guidelines of the Single Family Mortgage Program and is open to all Housing Choice Voucher tenants. Potential borrowers must complete first-time homebuyer education through New Hampshire Housing or an approved non-profit housing organization.

The Single Family Mortgage Program is designed primarily for first-time homebuyers and provides 30-year mortgages with below market interest rates, options with points or with no points, low down payment requirements, a cash assistance option and other flexible underwriting criteria. The interest rate available is usually below conventional mortgage interest rates. To qualify for the program, borrowers must meet certain income and purchase price limits.

Participating banks, mortgage companies and credit unions throughout the state originate loans through this program and can provide an application and answer questions about the application process. Federal Housing Administration (FHA), Veteran's Administration (VA), Rural Development (RD) and Private Mortgage Insurance (PMI) loans qualify. For VA loans, the loan amount (including the VA funding fee) can be up to the purchase price limit. Many two to four family homes are also eligible under the program.

The Cash Assistance Option provides a cash assistance grant equal to a maximum of four percent of the loan amount to help borrowers defray the cost of down payment, closing costs, and prepaid escrow expenses associated with purchasing a home. Borrowers must contribute a minimum of one percent (based on purchase price) using their own funds (excluding gifts). No cash back is allowed at closing. Income, purchase price and all other guidelines follow the Single Family Mortgage Program. There is no monthly payment on the cash assistance grant portion. Repayment is required if the mortgage is paid off within the first four years. After four years the grant is forgiven.

Purchase/Rehab Program helps new homebuyers purchase a home in need of repairs. This program can provide up to \$25,000 to make improvements to enhance the livability of the buyer's new home.

The **2-Under Option**, an easy fourth option to the Single Family Mortgage Program, is targeted to borrowers making 60% or less of statewide median income. Offered through New Hampshire Housing's network of participating lenders, 2-Under provides financial assistance to low-income borrowers to be used toward the purchase of their first home. New Hampshire Housing provides a subsidy to buy down the current Single Family Mortgage Program interest rate by two percent (2%) for the first three years and one percent (1%) for the next two years. The subsidy is a 0% non-amortizing mortgage rider due upon sale if the property is sold within the first 10 years, or forgiven after 10 years.

The 2-Under Option follows the rules and guidelines of the Single Family Mortgage Program with the following additional requirements:

- Household must have at least one dependent child.
- Borrower must be a first-time homebuyer (both in targeted and non-targeted areas).
- Borrower must not be receiving mortgage assistance from any other source.
- Homeownership education/counseling is required.
- Total household income cannot exceed 60% of statewide median income.

For more information go to www.nhhfa.org or contact a participating lender.

VA-Guaranteed Loan

These loans are made by a lender, such as a mortgage company, savings and loan company or bank. Veterans Administration's (VA) guaranty on the loan protects the lender against loss if the payments are not made and is intended to encourage lenders to offer veterans loans with more favorable terms. The amount of the guaranty on the loan depends on the loan amount and whether the veteran used some entitlement previously. The local VA office can provide more details on guaranty and entitlement amounts.

Before arranging for a new mortgage to finance a home purchase, veterans should consider some of the following advantages of VA home loans.

- No down payment is required in most cases.
- Loan maximum may be up to 100 percent of the VA-established reasonable value of the property.
- Flexibility in negotiating interest rates with the lender.
- No monthly mortgage insurance premium to pay.
- Buyer's closing costs are limited.
- Provides an appraisal that informs the buyer of the property value.
- Thirty-year loans with a choice of repayment plans are available.
- The mortgage is assumable, subject to VA approval of the assumer's credit.
- There is no prepayment penalty.
- The VA performs personal loan servicing and offers financial counseling to help veterans avoid losing their homes during temporary financial difficulties.

If you would like additional information, please contact your nearest VA office. Loan Guaranty personnel at that office will be able to answer your specific questions.

FHA Loans

The FHA (Federal Housing Administration) provides mortgage insurance and sets construction and underwriting standards. The FHA does not lend money, however, FHA mortgage insurance allows a homebuyer to make a modest down payment and obtain a mortgage for the balance of the purchase price. FHA insures the loan and pays the lender if the borrower defaults on the mortgage. Because the lender is protected by this insurance, it can offer more liberal mortgage terms such as lower interest rates.

Adapted with permission.

Almost any individual who has a satisfactory credit record, enough cash to close the loan, and sufficient steady income to make monthly mortgage payments can be approved for an FHA-insured mortgage.

HUD 203(k) Program

HUD's 203(k) program is for the rehabilitation and repair of single family properties.

The purchase of a house that needs repair is often a catch-22 situation, because the bank won't lend the money to buy the house until the repairs are complete, and the repairs can't be done until the house has been purchased.

HUD's 203(k) program can help you with this situation and allow you to purchase or refinance a property plus include in the loan the cost of making the repairs and improvements. The FHA insured 203(k) loan is provided through approved mortgage lenders nationwide. It is available to persons wanting to occupy the home. The down payment requirement for an owner-occupant is approximately three percent of the cost of the home and repair costs of the property.

Talk to your mortgage lender to see if they offer this program.

Rural Development

The USDA's office of Rural Development (RD) works with approved lenders to guarantee loans of borrowers for single family homes in eligible areas. The purpose is to provide financing with no down payment at favorable fixed rates. Loans cannot be made in Concord, Derry, Dover, Hudson, Keene, Londonderry, Manchester, Merrimack, Nashua, Portsmouth, Rochester, Salem and parts of Goffstown and Hooksett, because they are not considered rural.

There are two types of homeownership loans: guaranty and direct loans. The purpose is to provide financing with no down payment and at favorable rates and terms either through a direct loan with Rural Development or with a loan from a private financial institution that is guaranteed by Rural Development. These loans are for the purchase, construction, rehabilitation or relocation of a dwelling and related facilities for very low, low or moderate-income persons in rural areas.

Rural Development Home Improvement and Repair Loans and Grants

Loans and grants enable very low-income rural homeowners to remove health and safety hazards from their homes and to make homes accessible for people with disabilities. Grants are available for people 62 years old and older who cannot afford to repay a loan.

Detailed information and applications for mortgages and home improvement and repair are available through Rural Development. The web site is www.rurdev.usda.gov/nh/.

Conventional Loan

Conventional loans are loans that are not guaranteed or insured by the government. Mortgage bankers, banks or savings and loans normally fund conventional loans. They are traditionally originated to conform to Federal National Mortgage Association (FNMA or Fannie Mae) standards or Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) standards. Although conventional loans by definition have no boundaries as far as requirements they normally meet the following standards.

Loan to Value Ratio (LTV) is the loan amount divided by the sales price or appraised value whichever is less. A 95 percent LTV is the standard for conventional loans, a percentage that means that if a house costs \$100,000 the lender will provide financing worth \$95,000 (95 percent of the purchase price) and the borrower will pay \$5,000 (5 percent) at closing in addition to the closing costs.

Where the Federal Housing Administration (FHA) and Veterans Administration (VA) may be somewhat more understanding, conventional loans require a higher standard of credit. Generally conventional loans require four years to have passed after a bankruptcy before granting credit whereas the FHA only requires two years.

MORTGAGE APPLICATION CHECKLIST

To expedite your loan application when you visit a lender to apply for a mortgage, we encourage you to be prepared. Check-off the boxes that apply to your documentation needs.

- COPY OF SIGNED SALES CONTRACT OR OFFER TO PURCHASE
 - Property Information/Complete Legal Description
 - Money for Appraisal and Credit Report (\$385-\$500)
- TAX RETURNS AND ALL SCHEDULES FOR TWO PREVIOUS YEARS
 - Self employed
 - Employed in family business
 - Receiving part of income from bonus, commission, partnership or trust income
- GENERAL INFORMATION REQUIRED
 - Employment history for last two years
 - Dates of employment
 - Last pay stub showing gross income and deductions
 - Gaps in employment (submit letter of explanation)
- CHECKING AND SAVINGS ACCOUNT INFORMATION
 - Statements from last three months
 - Name of institution, account numbers, address, balances
- STOCKS, BONDS, INVESTMENTS, AUTOS
 - Name and address of broker
 - Last three months statements or copies of stock certificate
 - Life Insurance – name of company, policy number, face amount and cash value
 - Retirement Plan – vested interest and copy of most recent statement
 - Automobiles owned – make, year, current market value, evidence of clear title
- DOCUMENTATION OF OTHER ASSETS
 - Estimate of market value of personal property/furniture
 - Real estate owned
 - Rental income
 - Other verifiable income
- CREDIT INFORMATION/OPEN ACCOUNTS INCLUDING CREDIT CARDS WITH ZERO BALANCE
 - Creditor name, address, account numbers, balances, payment amount
 - Date paid in full and copy of statement with zero balance
 - Current mortgage holder or landlord
- ADDITIONAL INFORMATION THAT MAY BE REQUIRED
 - Self employed – past two years P&L statement, balance sheets
 - Divorced/Separated – copy of completed decree, 24 months of history of maintenance agreement
 - Overtime income – W2's from last two years
 - Required certificates/counseling, inspections, etc.
 - Renters – 12 month rental history documented
 - Proof of subsidy eligibility
 - Gift letter – signed by donor, stating that repayment is not required
 - Warranty deed (for refinancing only)
 - DD214 (discharge letter for VA borrowers)
 - VA Certificate of Eligibility (for VA borrowers)
- LETTERS OF EXPLANATION
 - Cash gifts for down payment
 - Previous bankruptcies
 - Previous credit problems

Adapted with permission.

Source: Neighborhood Reinvestment Corporation

PREDATORY LENDING

Be aware that some lenders may try to capitalize on your homeownership status. These lenders offer quick access to loans regardless of your credit or income situation. The trade off is that the loan terms for many of these programs are unrealistic and almost always end up with the borrower in foreclosure. Exceptionally high interest rates, financing more than the value of the home, including excessive points in the loan or large balloon payments are just some of the tactics predatory lenders use to take advantage of unwary homeowners.

Predatory lending comes in many forms:

- Credit card offers
- Mortgage loans
- Pay check advance loans
- Cash for title loans
- The corner store that cashes your check
- Some home improvement loans
- Some car loans

What are the tactics used:

- Blatant fraud – a lender or investor tells you that they are your only chance of getting a loan or owning a home.
- Leaving certain areas of the loan document blank – and later adding information.
- Pressure to sign a contract that contains information which is not true.
- Forging signatures.
- Home Improvement fraud – contractor acting as a broker and not disclosing his/her role to the borrower.
- Unfair loan terms
- High interest rates
- Yield Spread – this is a method when the broker's fee can be rolled into the interest of the loan.
- Credit insurance
- Trapping – making it difficult for the borrower to get out of a bad loan, such as a pre-payment penalty.
- Excessive pressure
- Obscuring information – hiding the cost in pages of documentation, avoiding giving the borrower a copy of the documentation.
- Credit repair scams
- Home repair scams – get at least three estimates of the work to be done. Be selective when deciding which contractor to use; become familiar with area building codes and standards and work with the contractor.

Early warning signs:

- Office is in a one-stop shop for cash, credit, loans and more.
- Pressure to sign agreements before reading them.
- Payment may include a large “balloon” payment.
- Agency acts as a referral service for other lenders.

Don't be afraid to ask questions! The best defense against predatory lending is education. You can always say no. Be willing to walk away. Remember the old saying: “If it sounds too good to be true, it probably is”.

Most people think they can tell when someone is not telling the truth. Nonetheless, it is worth remembering that the term “conman” is short for confidence man, a professional liar.

Tips to Avoid Predatory Lending:

- Never sign a contract without understanding the terms – if not sure, don't sign!
- Never sign a contract if the documents are incomplete.
- Don't borrow more money or over a longer time than needed.
- Make sure the payment is affordable.
- Don't agree to pay for unnecessary fees.
- Be wary of door-to-door and telephone solicitations.
- Don't be pressured into making a decision.
- Shop around; research your options.
- Go to a local bank for a loan quote.
- Remember there is no such thing as a free lunch – or free money. Say NO to “easy money”.
- Be wary if someone claims credit problems won't affect the interest rate.
- Avoid anyone who says: “Bad Credit? No Problem!”
- Be wary of someone who easily approves your loan after you were recently declined by another lender.

If you would like to be approved by your local bank, work on the issues that they address!

In communities across America, people are losing their homes and their investments because of predatory lenders, appraisers, mortgage brokers and home improvement contractors. Don't be a victim of loan fraud! Protect yourself from predatory lenders. Don't be in a hurry. An average loan can cost you many thousands of dollars for being in a hurry to hear someone say: “YES”. Shop around.

Remember...

- Ask whether there is a three day “Right of Rescission” – The law says that you have three days to contact the business and cancel the signed contract for many types of loans and purchases.
- Avoid or at least be aware of prepayment penalties.

Resources

- NH Attorney General's Consumer Protection and Antitrust Bureau
All complaints must be submitted in writing to:
Consumer Protection and Antitrust Bureau
33 Capital Street
Concord, NH 03301
- Information on filing complaints with the NH Banking Department
www.nh.gov/banking/info.html
- Legal Advice and Referral Center
www.larcnh.org
- NH Mortgage Bankers and Brokers Association
www.mbba-nh.org
- Mortgage Bankers Association of America, Predatory Lending Resource Center
www.mbaa.org/resources/predlend
- Opt Out (stop telemarketing)
1-888-5OptOut
- Do Not Call Registry
www.ftc.gov/donotcall/

FEDERAL LAWS PROTECTING CONSUMERS



OVERVIEW OF FEDERAL FAIR HOUSING AND CONSUMER PROTECTION LAWS.....	65
Fair Housing.....	65
Real Estate Settlement Procedures Act (RESPA).....	66
Equal Credit Opportunity Act.....	66
Truth In Lending Act.....	67
Fair Credit Billing Act.....	67
Fair Credit Reporting Act.....	67
Fair Debt Collection Act.....	67

OVERVIEW OF FEDERAL FAIR HOUSING AND CONSUMER PROTECTION LAWS

Fair Housing

What is Fair Housing?

Fair Housing is your right under the law to compete equally for housing without regard to race, color, national origin, religion, sex, disability, family status or sexual orientation. Fair housing is a right not a privilege.

Who must comply with the Fair Housing Act?

All persons engaged in real estate transactions.

Which government agencies enforce the law?

The federal government acting through HUD and the Department of Justice; state and local governments may assume this responsibility if they enact fair housing laws that are substantially equivalent to federal law.

Who can file a complaint?

Anyone who thinks that their housing rights have been violated may write a letter or telephone the HUD office nearest them. There is one year after an alleged violation to file a complaint with HUD but it is recommended to file as soon as possible.

What types of housing are covered under Fair Housing?

All housing accommodations, residential buildings, vacant lots or other property used for residential purposes are covered by the law. Examples include: houses, condominiums, apartment buildings, vacant lots that are intended for residential use, rental mobile homes and their sites, boarding houses and dormitories.

What to tell HUD?

- Your name and address
- The name and address of the person your complaint is against
- The address or other identification of the housing involved
- A short description of the alleged violation (the event that caused you to believe your rights were violated)

Where to Write or Call:

Fair Housing Enforcement Center, U.S. Department of Housing and Urban Development
Thomas P. O'Neill, Jr. Federal Building
10 Causeway Street, Room 321
Boston, MA 02222-1092
Telephone (617) 994-8300 or 1-800-827-5005
Fax (617) 565-7313 TTY (617) 565-5453

What happens when you file a complaint?

HUD will notify you when it receives your complaint. Normally HUD also will:

- Notify the alleged violator of your complaint and permit that person to submit an answer.
- Investigate your complaint and determine whether there is reasonable cause to believe the Fair Housing Act has been violated.
- Notify you if it cannot complete an investigation within 100 days of receiving your complaint.

HUD will try and reach an agreement with the person your complaint is against. This agreement (conciliation agreement) must protect both you and the public interest. If an agreement is signed, HUD will take no further action on your complaint. However, if HUD has reasonable cause to believe that a conciliation agreement is breached HUD will recommend that the Attorney General file suit.

HUD will refer your complaint to the appropriate agency for investigation and notify you of the referral. That agency must begin work on your complaint within 30 days or HUD will take it back.

Real Estate Settlement Procedures Act (RESPA)

RESPA is a consumer protection statute first passed in 1974. The purposes of RESPA are:

- To help consumers become better shoppers for settlement services; and
- To eliminate kickbacks and referral fees that unnecessarily increase the costs of certain settlement services.

Equal Credit Opportunity Act

- Prevents lenders from discriminating on the basis of age, sex, race, marital status, religion or national origin.
- Requires disclosure of reason for denial within 30 days.

Truth In Lending Act

- Requires lenders to provide complete and accurate information about credit costs and terms.
- Requires companies to send monthly billing statements showing balance, billing cycle, rate, payments and other information.

Fair Credit Billing Act

- Provides the right to question within 60 days if you think your credit card bill is wrong.
- Requires creditor to begin research within 30 days.
- Requires creditor to supply an answer within 90 days.

Fair Credit Reporting Act

Protects your right to know what is in your credit report and to fix mistakes.

Fair Debt Collection Practices Act

The Fair Debt Collection Practices Act prevents collection agency employees from:

- Uses harmful or hurtful language.
- Calls your home too early or too late.
- Calls over and over again.
- Say they will tell your boss or friends.
- Try to collect more money than you owe.
- Goes to your home under false pretenses.
- Sends you letters that look like they are from a government agency or a court of law.

APPENDICES



APPENDIX A - GLOSSARY	69
APPENDIX B – NON-PROFIT HOMEOWNERSHIP COUNSELING AGENCIES.....	79
APPENDIX C – SAMPLE FORMS	80
Mortgage Application	80
Sample Purchase Contract.....	81

APPENDIX A - GLOSSARY

A

Abatement	In leases, abatement involves terminating payment of rent in the event of certain occurrences (lack of heat, lack of water, etc.). In mortgages, abatement is a reduction or rebate of taxes.
Abstract (of Title)	A summary of the public records relating to the title to a particular piece of land. An attorney or title insurance company reviews an abstract of title to determine whether there are any title defects which must be cleared before a buyer can purchase clear, marketable, and insurable title.
Acceleration Clause	A provision in a mortgage that gives a lender the right to demand payment of the entire mortgage balance if a monthly payment is missed.
Acquired Property	A property owned as a result of a foreclosure or acceptance of a deed in lieu, often referred to as “Real Estate Owned” (REO).
Adjustable Rate Mortgage (ARM)	A mortgage that permits the lender to periodically adjust the interest rate when the index changes.
Amortization Schedule	A mortgage payment timetable showing what amount of a payment is applied to interest and what is applied to the principal and the remaining balance.
Annual Mortgage Statement	Report to the owner detailing taxes and interest paid during the year and remaining principal balance.
Annual Percentage Rate (APR)	Short for Annual Percentage Rate, the APR is a measurement used to compare different loans offered by competing lenders, which takes into account both the interest rate and the closing fees. Unlike an interest rate, an APR gives you a bigger picture when shopping for the best deal on a loan. For example, an APR lets you see the total cost of a mortgage, including closing fees and lender points over the life of a loan – not just the interest due. Even though lenders are required by law to show a loan’s APR, they don’t all use the same fees in their calculation, skewing the comparison. So always check to make sure that the APRs you are comparing include similar fees.
Appraisal	A professional estimate of a property’s market value.
Appreciation	The increased value of a property.
Approved Lender	A financial institution approved by the loan insurer.

Arrears	Any debts, such as mortgages, that are overdue.
Assessed Value	The value of the property assessed for property tax purposes.
Assignment	The transfer of a right or contract from one person to another.
Assumable Mortgage	An existing mortgage that can be taken over by the buyer when a property is sold; it may require waiver of an enforceable due-on-sale provision.
Attachment	Legal seizure of debtor's property or income to satisfy a financial obligation.

B

Balance	Amount of the loan remaining to be paid; sometimes known as the "outstanding balance".
Balloon Payment	A payment made at the end of a set time frame that is greater than the amount of the regular loan.
Bankruptcy Chapter 7	Legal declaration of debtor's inability to discharge debts.
Bankruptcy Chapter 13	Court-approved repayment plan for wage earners who have delinquent debts.
Binder	A preliminary agreement, held with cash, where a buyer offers to purchase the property.
Building Line or Setback	Distances from the ends and/or sides of the lot beyond which construction may not extend. The building line may be established by a filed plan of subdivision, by restriction covenants in deeds or lease, by building codes, or by zoning ordinances.
Buydown	A sum of money paid to the lender at closing to reduce the borrower's out of pocket monthly payment. A buydown can be temporary or permanent.

C

Cancellation Clause	A clause in a contract that allows either party to terminate the contract under certain agreed conditions.
Cap	A limit placed on payments, interest rates and/or the balance of a loan. Caps can limit increases by either a dollar amount or a percentage.

Cap (ARM)	A limit on an adjustable rate mortgage (ARM), which determines how much the interest rate can increase or decrease.
Capitalization	The process of applying delinquent amounts to the outstanding principal balance of a mortgage.
Cash Reserve	Lenders may require that a buyer have at least 2 months of mortgage payments available after closing.
Clear Title	A title to a property without liens or questions as to ownership.
Closing	A meeting for the finalized sale of a property where documents are signed and monies exchanged.
Closing Costs	Expenses (in addition to the price of the property) incurred by both buyer and seller during the transfer of a property.
Collateral	Something of worth which serves as security for a loan.
Conditional Sales Contract	A contract for the sale of a property in which transfer of title to the buyer is contingent on fulfillment of certain conditions / contingencies.
Condominium	Ownership of one unit that is part of a multiple-unit property.
Consideration	Something that has a value according to the law; this may be money, services rendered, other property, etc.
Conventional Mortgage	Any mortgage that is not insured or guaranteed by the Federal Government.
Convertible ARM	An adjustable-rate mortgage that can be converted to a fixed-rate mortgage under specific conditions.
Conveyance	The transfer of title for real property from one party to another.
Cooperative	Multiple ownership in which the residents of a multi-unit housing complex own shares in the corporation that owns the property, giving each resident the right to occupy a specific unit.
Cosigner	Another person who signs a lease or a contract and bears responsibility for the enforcement of all the provisions of the lease or contract in addition to the signer.
Covenant	A clause in a mortgage that obligates or restricts the borrower; violation can result in foreclosure.

Credit Report An individual's credit history that is prepared by a credit bureau and used by a lender in determining a loan applicant's creditworthiness.

Creditworthiness Ability to obtain and repay debts.

D

Debt-to-Income Ratio Calculation of gross income minus net income. Deductions include outstanding loans, utility payments, and other recurring expenses.

Deed The legal document conveying title to a property.

Deed In Lieu Of Foreclosure A deed voluntarily given by a borrower to the lender to satisfy a debt and avoid foreclosure, also called a voluntary conveyance.

Deed of Trust A type of security instrument conveying title in trust to a third party for a particular property in order to secure payment of a note. The title is conveyed to a trustee as collateral security by the borrower to secure payment of a debt with the condition that the trustee shall reconvey the title upon full repayment of the debt. The trustees are empowered to sell the property and pay the outstanding debt should the debtor default on the loan.

Default Failure to meet a payment or fulfill an obligation.

Deficiency Judgment A personal judgment created by court decree for the difference between the amount of the mortgage indebtedness and any lesser amount recovered from the foreclosure sale. The judgment is against any person who is liable for the mortgage debt.

Delinquency A loan payment that is at least one month overdue, but which has not yet been declared by the lender to be in default.

Deposit A cash deposit made by a potential buyer to show that the offer is serious.

Depreciation A decline in the value of property.

Disclosure Statement Statement giving all the terms and conditions of the credit transaction.

Down Payment The part of the purchase price that the buyer pays in cash and is not included in the mortgage.

Due-on-Sale Provision A clause in a conventional mortgage that allows the lender to demand full payment of the outstanding balance when the property is sold.

E

Encroachment An obstruction, building, or part of a building that intrudes beyond a legal boundary onto neighboring private or public land, or a building extending beyond the building line.

Encumbrance A legal right or interest in land that affects a good or clear title, and diminishes the land's value. It can take numerous forms, such as zoning ordinances, easement rights, claims, mortgages, liens, charges, a pending legal action, unpaid taxes, or restrictive covenants. An encumbrance does not legally prevent transfer of the property to another. A title search is all that is usually done to reveal the existence of such encumbrances, and it is up to the buyer to determine whether he or she wants to purchase with the encumbrance, or what can be done to remove it.

Equal Credit Opportunity Act Federal law that prohibits lenders from denying mortgages on the basis of race, color, religion, national origin, age, sex, marital status or income from public assistance programs.

Equity A homeowner's financial interest in a property. Equity is the difference between the fair market value of a property and the amount still owed on the mortgage.

Equity Loan A loan based on the equity value of a home.

Escalator Clause A clause in a mortgage or lease that allows for a periodic increase upon certain conditions.

Escrow Item of value, usually money, deposited with a third party that is returned upon fulfillment of a condition or contract. Often used for payment of taxes and/or insurance.

Escrow Account An account established with a third party (see "Escrow").

F

Fair Credit Reporting Act A consumer protection law that regulates the disclosure of consumer credit reports and procedures regarding repairing a credit record.

Finance Charge The amount charged for the use of credit services.

Fixed-Rate Mortgage A mortgage in which the interest rate does not change.

Forbearance The lender's agreement to postpone foreclosure to allow the borrower to catch up on overdue payments.

Foreclosure The legal process by which a mortgaged property may be sold when a mortgage is in default.

G

Graduated Mortgage Payment A mortgage that starts with low monthly payments and increases at a predetermined rate.

H

HECM See "Reverse Mortgage".

Home Equity Loan A loan made to a borrower based on the equity value of the home.

Homeowner's Insurance A policy insuring against "multiple perils" made available to homeowners.

HQS Housing Quality Standards inspection is done to ensure that a home meets HUD's minimum standards for livability.

I

Interest The fee charged for borrowing money.

Interest Rate Cap See "Cap".

L

Late Charge A penalty charge assessed on rent or a mortgage when payment is made after the due date. Some jurisdictions regulate the amount of late fees and when late fees may be assessed.

Lien A legal claim to a property that must be paid when the property is sold.

Line of Credit The dollar amount a lender makes available to a borrower.

Liquidating Plan A relief provision that allows the borrower to make payments in addition to the regular monthly payments to cure a delinquency.

Loan Assumption The process whereby a buyer assumes responsibility for the existing loan on the property.

Loan-to-Value Ratio The amount of a loan against the value of the property.

Lock-In A written agreement guaranteeing the buyer a specified interest rate provided the loan is closed within a set period of time.

M

Make-Whole Amount The amount that must be realized from a property disposition (such as pre-foreclosure sale) to prevent a resulting loss.

Mortgage Insurer (MI) A company that insures the mortgage investor against loss in the event of a borrower's default under a conventional mortgage. Also called Private Mortgage Insurance (PMI).

Modification The act of changing any of the terms of a mortgage so that the borrower of a defaulted mortgage can avoid foreclosure.

Mortgage A legal document that pledges a property to the lender as security for payment of a debt.

Mortgage Broker A fee-based intermediary between the lender and borrower.

Mortgagee The lender in a mortgage agreement.

Mortgagor The borrower in a mortgage agreement.

N

Negative Amortization Payment terms under which the borrower's monthly payments do not cover the interest due, thereby increasing the loan balance.

O

Origination Fee A fee paid to the lender for processing the loan application, stated as a percentage of the mortgage amount.

Owner Financing A property transaction in which the owner provides all or part of the financing.

P

PITI An acronym for Principal, Interest, Taxes, Insurance – all the components of a monthly mortgage payment.

Points One point is equal to one percent of a mortgage loan, used by the lender to increase the yield of the mortgage.

Pre-foreclosure Sale A procedure in which the borrower is allowed to sell his or her property for an amount less than what is owed in order to avoid foreclosure of a defaulted mortgage.

Prequalification	Determining the amount a buyer is eligible to borrow before a loan application is made.
Principal	The amount borrowed or remaining balance, which does not include interest. The part of a monthly payment that reduces the outstanding balance of a mortgage.
Private Mortgage Insurance	Privately owned companies offer standard and special affordable mortgage insurance programs for qualified borrowers with down payments of less than 20% of a purchase price.
Program Monitor	The person who administers the Housing Choice Voucher.

R

Radon	A radioactive gas found in some homes that may cause health problems.
Real Estate Owned (REO)	Property acquired through foreclosure or acceptance of a deed in lieu. See also Acquired Property.
Real Estate Settlement Procedures Act	A consumer protection law that requires lenders to give borrowers advance notice of closing costs.
Realtor	An agent, acting for a seller or a buyer, who is licensed to sell or rent property.
Refinancing	Paying off one loan with a new loan using the property as security.
Release of Liability	A formal agreement absolving a borrower from responsibility under a mortgage because another party has agreed to assume the mortgage obligations.
Relief Provision	A formal arrangement to help a borrower cure a delinquency, such as temporary indulgence, special forbearance, and liquidating plans.
Reverse Mortgage	Mortgage for senior homeowners who can borrow against the equity in their home with repayment occurring after the home is sold or the owner dies.
Revolving Account	The line of credit that may be used repeatedly to a specified limit.

S

Sales Contract	A written agreement between a buyer and seller stating the terms and conditions of a sale or exchange of property.
Second Mortgage	A mortgage that has a lien position subordinate to the first mortgage.
Settlement	See “Closing”.
Settlement Sheet	A computation of closing costs that determines the seller’s net proceeds and the buyer’s payment.
Special Forbearance	A relief provision that permits a period of reduced or suspended payments, followed by another period of larger-than-normal payments, to enable the borrower to cure a delinquency.

T

Temporary Indulgence	A relief provision that allows the borrower an additional 30 days before more formal action is taken to cure a delinquency.
Title	Legal document showing homeownership.
Title Search	A check to ensure that the seller is the legal owner of a property and no liens or claims are outstanding.
Transfer Tax	State or local tax payable when title transfers from one owner to another.
Truth in Lending	Federal law that requires lenders to fully disclose in writing all terms and conditions of a mortgage, including all charges.

U

Underwriting	The process of evaluating a loan application to determine the risk involved for the lender.
---------------------	---

V

VA Loan	A loan guaranteed by the U.S. Department of Veteran Affairs.
VA Mortgage	A mortgage guaranteed by the U.S. Department of Veteran Affairs.
VAMO	The Voucher Assisted Mortgage Option is a mortgage product offered to families who have rental assistance through HUD’s Housing Choice Voucher Program.

Variable Rate Mortgage See Adjustable Rate Mortgage (ARM)

W

Waive To give up a claim or a right.

Waiver A written agreement that gives up a claim or a right.

Workout Program An alternative to foreclosure that a lender may offer to the borrower of a defaulted mortgage, such as assumptions, pre-foreclosure sales, modifications, and deed in lieu of foreclosure.

APPENDIX B – NON-PROFIT HOMEOWNERSHIP COUNSELING AGENCIES

Affordable Housing Education & Development (AHEAD)

Littleton 444-1377

Concord Area Trust for Community Housing (CATCH)

Concord 225-8835

Cheshire Housing Trust

Keene 357-7603

Laconia Area Community Land Trust

(Only offers Pre-purchase counseling)

Laconia 524-0747

Manchester Neighborhood Housing Services

Manchester 626-4663

New Hampshire Community Loan Fund

(Specializes in counseling for developmentally disabled)

Concord 224-6669

New Hampshire Housing

Statewide 800-622-5266 x9404

Neighborhood Housing Services of Greater Nashua

Nashua 882-2077

APPENDIX C – SAMPLE FORMS

Mortgage Application

In this Appendix, you will be provided with information on forms that will be completed when you apply for a mortgage. This will give you an idea of the kind of information required during the mortgage application process.

Typically, the initial interview when applying for a mortgage is held in the lender's office and will take about one hour. During the interview the lender will ask questions related to income, expenses, credit history, employment and the terms of the Purchase and Sales Agreement. By the end of the interview the homebuyer will usually have:

- Completed the Uniform Residential Loan Application.
- Been pre-qualified by the lender.
- Paid an application fee for the credit report and appraisal.
- Received a list of additional information needed for loan processing.
- Received an estimate of closing costs and a Truth in Lending Statement, which provides estimated APR (Annual Percentage Rate).
- Received a Good Faith Estimate, which gives estimates of all related charges due at the loan closing.

A sample Purchase and Sales Agreement has been provided. The following websites contain other sample forms:

Uniform Residential Loan Application:

- http://aaa-mortgagebuyers.com/sample_1003.pdf
- <http://www.saveonmls.com/docs/Uniform%20Loan%20Application.pdf>

Truth in Lending Statement:

- <http://www.mrhomefinder.com/financing/TruthInLending.cfm>

Good Faith Estimate:

- http://www.mrhomefinder.com/financing/documents/399900_GFE.PDF
- <http://www.maximumfinancialinc.com/article-good-faith-estimate.htm>

Sample Purchase Contract

To Sellers: _____

Through Listing Agency: _____ and Sub-Agency _____

1. I/We hereby agree to purchase the following described tract or parcel of real estate:

(Street Name) (City)

(County) (State) (Zip Code)

Legal Description: _____

As recorded in Deed Book _____ Page _____ Register's Office of _____ County

2. Deed: Deed to be made in the name of _____
_____. Ownership will include right of survivorship unless otherwise stated.

3. I/We will pay for said real estate \$ _____ dollars.

4. Earnest Money: The sum of \$ _____ as evidenced by a check (or _____) to be deposited on _____ or within _____ days of acceptance of this offer, to the escrow account of:

(Agency)
(Street) _____ (City) _____ (State) _____ (Zip) _____

receipt of which is hereby acknowledged, to guarantee the faithful performance of the Purchasers, which sum, if the sale is consummated, shall be credited on the purchase price and constitute a part of the cash payment for said property. The Broker does not guaranty payment of the check, or checks, accepted as Earnest Money.

5. The Purchase Price shall be paid as follows (only subparagraphs checked in boxes below apply):

- All Cash: All cash at closing with no financing contingency.
- New Loan: This Contract is subject to the Purchaser's ability to obtain a loan based on the lender's standard underwriting criteria in the amount of \$ _____, or _____% of the purchase price for a term of _____ years at the interest rate prevailing at the time of closing. The balance of the purchase price shall be paid in cash at closing.

The new loan specified above will be:

- A Conventional Loan
- A FHA Loan with the Mortgage Insurance Premium to be financed and added to the loan amount.
- A FHA Loan with the Mortgage Insurance Premium to be paid in cash at closing by the _____ (Purchasers or Sellers).
- A VA Loan with the VA funding fee included in the loan.
- A VA Loan with the VA funding fee paid in cash by the _____ (Purchasers or Sellers).

This is:

- A Fixed Rate Loan Assumption of Existing Loan
- An Adjustable Rate Loan
- Other

Loan Application:

Application for a new loan, or loan assumption, shall be made within _____ days after acceptance of this offer and shall be diligently pursued. Loan discount points to be paid, if any, shall be paid by _____ and shall not exceed _____ % of the loan amount. Purchasers will secure a written commitment for the discount points at the time of loan application for a term of _____ days. (For information purposes only: ASSUMING an interest rate of _____%, the ESTIMATED monthly installments are APPROXIMATELY \$ _____ (P & I) (PITI).

In the event of default by either party, the non-defaulting party, in the enforcement of this contract, shall be entitled to recover a reasonable attorney's fee together with any court costs and damages.

Initials: _____ Sellers _____ Date _____ Purchasers _____ Date

6. Assumption of Existing Loan

This Contract is subject to the Purchasers' ability to assume the existing loan at the time of closing held by _____ with an approximate principal balance of \$ _____ BEARING escalating, or non-escalating interest at a rate of _____% Per annum for the remaining term of the loan, and is a fixed rate, or adjustable rate mortgage loan. The Purchasers will pay all fees necessary to assume the loan.

A Firm Purchase Price with an approximate cash equity of \$ _____

A Firm Cash Equity of \$ _____ with approximate purchase price

All payments due on the loan shall be current at closing. The escrow account shall be current and transferred to the Purchasers at closing. The Purchasers shall furnish all information required by the lender to obtain the lenders' consent to the loan assumption. The Purchasers agree to make the first payment due after closing and the Sellers agree to make all payments due prior to closing. The Purchasers shall obtain a new Hazard Insurance Policy acceptable to the lender.

The loan information is furnished by the Sellers in good faith and to the best of the Sellers' knowledge and belief. It is the responsibility of the Purchasers to confirm the accuracy of the loan information.

The Purchasers shall be charged with the current balance of the escrow account at closing. The taxes, interest, and hazard insurance shall be prorated as of the day of closing.

The sellers shall transfer the escrow account to the Purchasers at no cost and there shall be no prorations of taxes, interest, and hazard insurance.

7. If VA Loan:

It is expressly agreed that notwithstanding any other provisions of this Contract, the Purchasers shall not incur any penalty by forfeiture of earnest money or otherwise be obligated to complete the purchase of the party described herein, if the Contract purchase price or cost exceeds the reasonable value of the property established by the Veterans Administration. The Purchasers shall, however, have the privilege and option of proceeding with the consummation of this Contract without regard to the amount of the reasonable value established by the Veterans Administration.

8. If FHA Loan:

It is expressly agreed that notwithstanding any other provisions of this Contract, the Purchasers shall not be obligated to complete the purchase of the property described herein to incur any penalty by forfeiture of earnest money deposits or otherwise unless the Mortgagee has delivered to the Purchasers a written statement issued by the Federal Housing Commissioner or a Direct Endorsement Lender setting forth the appraised value of the property (excluding closing costs) of not less than \$ _____ which statement the Mortgagee hereby agrees to deliver to the Purchasers promptly after such

appraised value statement is made available to the Mortgagee. The Purchasers shall, however, have the privilege and option of proceeding with consummation of the Contract without regard to the amount of mortgage the Department of Housing and Urban Development will insure. HUD does not warrant the value nor the condition of the property. The Purchasers should satisfy themselves that the price and condition of the property are acceptable.

9. THIS CONTRACT IS THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND THERE ARE NO OTHER REPRESENTATIONS OR WARRANTIES OTHER THAN THOSE EXPRESSED IN WRITING AND SIGNED BY ALL PARTIES.

Signed this the _____ day of _____, 20____, at _____ (AM/PM,) and a copy hereof received.

Purchaser

Purchaser

Broker for Selling Firm

The foregoing proposition is accepted, Or the Sellers have signed and accepted this offer according to the terms of the attached counteroffer, at _____ (AM/PM)
This _____ day of _____, 20____, and the Sellers (jointly and severally if more than one) agree to pay _____ (\$ _____) or (_____%)
And _____ (\$ _____) or (_____%), Brokers, a total of \$ _____ or _____% commission based on the sales price for securing said Purchasers. The Sellers acknowledge receiving a copy of this Contract.

If for any reason the Purchasers default in completing the transaction, we agree, in consideration of service rendered by said Brokers, that the earnest money deposited with this offer shall be divided equally between the Sellers (as one party) and said Brokers after any expenses are deducted, but in no event shall Broker's portion of forfeited earnest money exceed the sum which Broker would have received had the sale been normally consummated, and any excess shall be retained by the Sellers. In event of specific performance, the commission shall be paid in full after final decree.

Seller

Seller

Broker for Listing Firm

The Sellers have rejected this offer and make no counteroffer.

Seller's Signature
Time _____ (AM/PM) Date _____

Seller's Signature
Time _____ (AM/PM) Date _____