

IMPORTANT HOME BUYING INFORMATION

How much home can you afford?

In addition to the mortgage, budget and savings calculators provided on ClearPointCCS.org, the following websites also have calculators that can be a great help in determining a monthly mortgage payment fits with your income and expenses:

Bank Rate - <http://www.bankrate.com/brm/mortgage-calculator.asp>

Fannie Mae - <http://knowyouroptions.com/buy/overview>

Freddie Mac - <http://www.freddiemac.com/homeownership/>

National Foundation for Credit Counseling - <http://www.nfcc.org/FinancialEducation/calculators.cfm>

Types of Mortgages

- **Fixed-Rate Mortgages** - allow you to choose from 10-year, 15-year, 20-year-, 30-year, 40-year and even 50-year mortgages at a set rate.
- **FHA Loans** are insured by the government through mortgage insurance. First-time home buyers are ideal candidates for an FHA loan because their loans usually have minimal down payment requirements. Also, since the loan is insured, the credit score requirement is not usually as stringent.
- **VA Loans** are available to veterans who have served in the U.S. Armed Services and, in certain cases, to spouses of deceased veterans. With a VA loan you do not need a down payment. Although the loan is guaranteed by the Veterans Administration, you will work directly with your chosen mortgage company.

Loan Options to Consider with Caution

Interest - Only Mortgages can be misleading. Unlike a traditional loan, you pay only the interest each month for a certain period of time - usually the first 5-10 years. After that, you are required to repay the full outstanding loan amount in a shorter period of time, resulting in significantly higher payments.

Adjustable - Rate Mortgages (ARMS) do not have a fixed interest rate. Your interest rate may move up or down monthly, semi-annually, annually, or remain the same for a period of time based on a variety of economic factors and indicators. If rates go up, your monthly payments will rise and if rates go down, your mortgage payments will be reduced.

Hybrid Mortgage Loans

- Option ARM Mortgages

Typically a 30-year ARM that initially offers four monthly payment options: a specified minimum payment, an interest-only payment, a 15-year fully amortizing payment, and a 30-year fully amortizing payment. Option ARMs are complicated and are often offered with a very low teaser rate (often as low as 1%), which translates into very low minimum payments for the first year of the ARM.

Before considering an Option ARM, be aware that (1) long-term interest rates may go up - raising monthly payments; (2) minimum payment options may result in negative amortization, which means the unpaid portion of the accruing interest keeps being added to the remaining principal balance.

- Combo or Piggyback Mortgage Loans

This type of mortgage combines a first mortgage with a second mortgage to cover most or all of your down payment. It is a way to avoid paying private mortgage insurance (PMI) and potentially lower monthly payments. The mortgages can be adjustable-rate, fixed-rate, or a combination of the two.

Avoiding Predatory Lending

Predatory lending strips borrowers of home equity and threatens families with foreclosure. Many borrowers have been tricked into accepting unfair loan terms, which is usually done through aggressive sales tactics. Even highly informed consumers have been fooled, so please watch out for:

- Aggressive and deceptive marketing
- Making loans without ample consideration to the borrower's ability to pay
- Financing excessive fees into loans
- Charging higher interest rates than you might otherwise qualify for
- Home improvement scams
- Excessive pre-payment fees

13 Ways to be a Smart Consumer

1. Interview several real estate agents, and check references before you choose.
2. Research the prices of other homes sold in the neighborhood.
3. Hire your own qualified, licensed home inspector, rather than who your realtor suggests.
 - Find your inspector through the American Society of Home Inspectors at www.ashi.org <<http://www.ashi.org>> or by calling ASHI at 800-43-ASHI(2744)
 - Make sure you and your inspector carefully inspect the property before you sign a contract or make the contract contingent upon a satisfactory inspection.
 - Determine whether you or the seller is responsible for paying for repairs.
4. Shop around for a lender and compare costs.
5. Look for a fixed rate mortgage with no pre-payment penalties and no pre-paid insurance policies.
6. Do not be persuaded to make a false statement on your loan application.
7. Only borrow what you know you can repay.
8. Never sign a blank document or a document containing blanks. Put "N/A" (not applicable) or cross through any blanks.
9. Read everything carefully and ask questions.
10. Before you sign, have your contract and loan agreement reviewed by a real estate attorney.
11. Be suspicious if the cost of a home improvement goes up if you don't accept the contractor's financing
12. Throw out refinancing offers after you move into your house unless you thoroughly review the conditions with your counselor, attorney, or trusted advisor.
13. Check with the Better Business Bureau on line at www.bbb.com <<http://www.bbb.com>>, or ask friends and neighbors before you sign for any home improvement or service contracts.

Preventing Foreclosure

It is critical to make each mortgage payment in full and on time. If you miss a mortgage payment you can expect to get a call from your lender. If the missed payment is a one-time oversight, talk with your lender and explain the situation. If there has been a significant change in your financial status affecting your ability to make mortgage payments, talk with your lender and call ClearPoint. We can provide you with information about possible federal assistance and numerous foreclosure prevention alternatives that may be available through your lender.

Maintaining Your Home

After you move in, you can't afford to sit back and wait for something to break before you fix it. Staying on top of things will both increase your home's value and minimize unexpected repairs. Putting together a seasonal checklist will help you to protect your investment.

Fall/Winter

- Yard work (raking leaves and shoveling snow)
- Clean gutters and drain pipes so that leaves won't cause a clog.
- Check weather-stripping and caulking around doors and windows. Repair if necessary.
- Check roof for leaks.
- Check for cracks in house siding. Fill any cracks with caulk.
- Remove window air-conditioning units or put weatherproof covers on them.
- Check chimney for damage. The chimney should be cleaned periodically (depending on amount of use) to reduce the risk of a chimney fire.
- Have heating system serviced by a professional. Change filters regularly.
- Inspect wood framing for termites; re-treat as necessary.
- Check attic for adequate insulation.
- Test and check batteries on smoke and carbon monoxide detectors. (Daylight Savings Time)
- Check all faucets for leaks; replace washers if necessary.

Spring/Summer

- Yard work (watering plants, mowing the lawn and removing over grown trees/branches)
- Check house for cracked or peeled paint; caulk and repaint as necessary.
- Clean exterior and garage doors.
- Check flashing around vents and skylights for leaks.
- Replace filters on HVAC systems.
- Clean drapes, blinds and windows.
- Check and clean dryer vent, range hood and ceiling fans.
- Check basement for any wet spots or cracks in the foundation. Repair if necessary.
- Clean fireplace.

If you feel you don't have the time or patience to repair any problems around your home, consider getting a home warranty. A home warranty provides protection against unexpected repairs and/or replacement of major appliances such as washers, dryers, ovens and refrigerators as well as plumbing, electrical, heating and air conditioning systems. Most warranties do not cover the roof or exterior of a home.

Annual premiums for a home warranty generally range from \$300 to \$500. There is an additional service fee per incident which can range from \$50 to \$100. Before signing up for a home warranty, make sure you understand how the home warranty works and review your budget.

If you choose not to purchase a home warranty, put aside \$50-100 each month for maintenance and repairs on your home.