"*Make Your Move* sets the standard for homebuyer education and should be required reading for anyone purchasing a home. It demystifies the entire home purchasing experience by providing the most complete homebuyer education resource available."

– Cheryl Berg, Mortgage Loan Officer

"The home-buying process can be confusing and overwhelming. Buyers who have taken a homebuyer education course are easier to work with, since they have a better understanding of what decisions they will have to make, what is expected of them, and what they can expect from the professionals involved. The detailed information provided in *Make Your Move* makes it an excellent reference tool for any buyer."

– Bill Towey, REALTOR/Broker, GRI/ABR/CRS

"*Make Your Move* is an integral part of the home-buying process for our customers. As an innovative Native American/Homebuyer's organization, we will benefit from the practical steps outlined in this book. It will help our customers realize their dreams."

– Shirley Little Thunder, Consultant for Teton Coalition, Inc./Banker

"What an excellent guide for the first-time homebuyer, as well as a resource manual for the repeat buyer. The information shared in this book can be used in all financial aspects of a consumer's life. The forms allow a visual goal to be established and personally monitored. Wow!"

– Ronda Carlson, Mortgage Associate

"The *Make Your Move* book is easy to read and understand by the most novice of homebuyers, yet contains a wealth of information that can be helpful to even seasoned professionals. This will certainly prove to be a wonderful asset in the industry of homebuyer education."

– Paul Kostboth, SD State Coordinator, Homeownership Education Resource Organization (H.E.R.O.)

"I think many people continue to rent housing just because they are so intimidated by the home-buying process. This book lays it all out for you. I feel a lot more prepared to be a homeowner after reading it."

– Stacey Thompson, Future Homeowner

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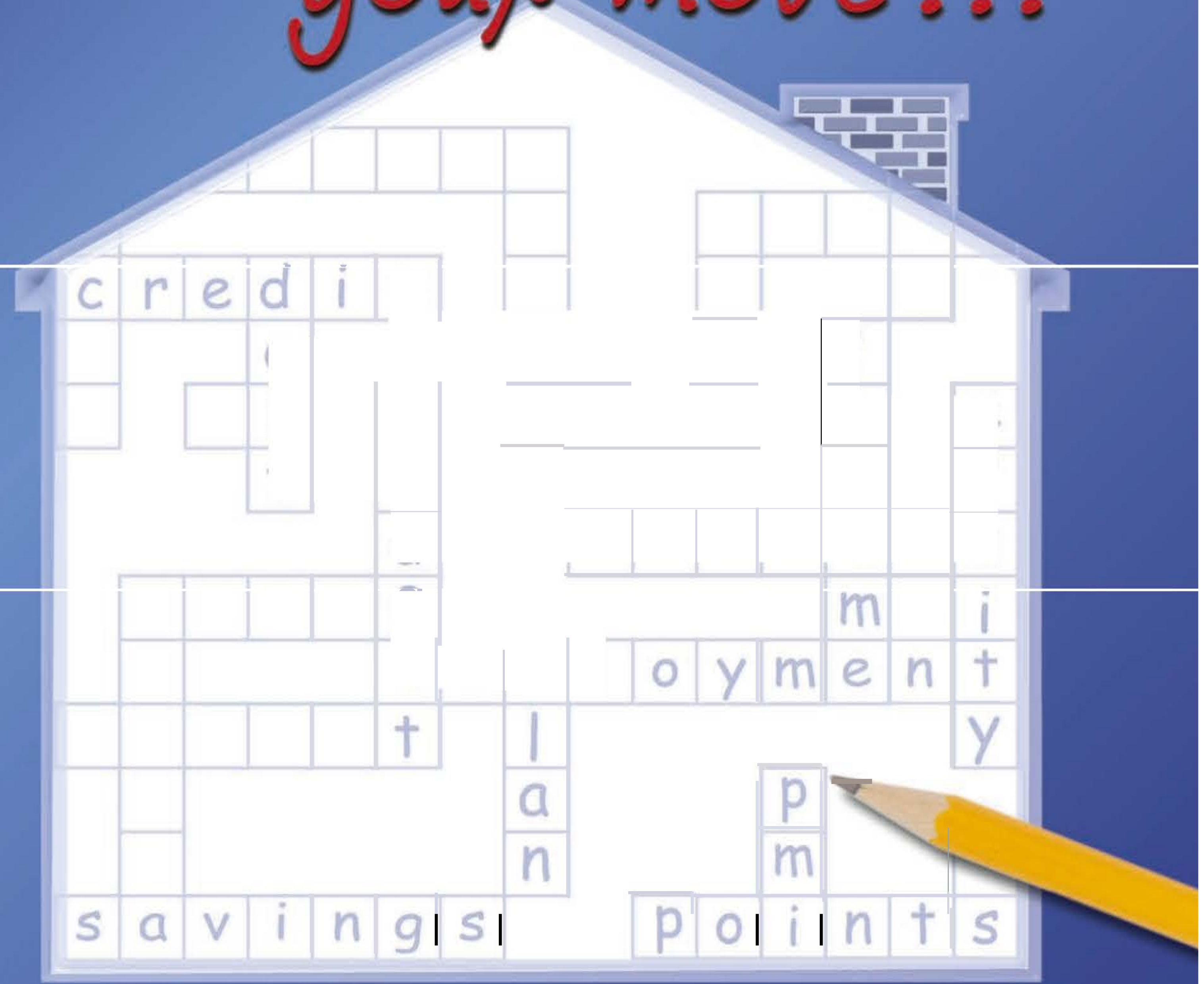
Make your move... A GUIDE TO HOMEOWNERSHIP

Make your move...



A GUIDE TO HOMEOWNERSHIP

Make your Move...

A Guide to Homeownership

This book is dedicated to those who dare to dream of owning a home. Homeownership is an attainable goal for most people. You may need to make sacrifices, overcome challenges, or resolve some issues. It is worth the effort. The hardest part is taking the first step. Good luck on your journey home.

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Table of Contents

Introduction

Qualifying for a home loan is like building a house. When you build a house, you have to start with a strong, stable foundation, and the size of your foundation is directly proportional to your income. If you have a low income, the foundation of your house will be small. If you have a large income, the foundation of your home could be large. There are other factors that could limit how much you can spend on your home, such as the amount of debt you have, your credit history or the stability of your job.

If income is the foundation of your home, credit history is the framing for it. How you pay your bills and handle your credit will affect the stability of your framework. A good credit history makes for a strong framework. Late payments and handling your finances poorly can create structural weaknesses. But, as we all know, cracks can be repaired and strengthened, and so can your credit.

Your employment history is what keeps a roof over your head. As long as you keep working, you are able to make money, and money pays the bills. Many people on Social Security, pensions, guaranteed assistance programs, or who are drawing investment incomes, etc., can qualify for home loans. Types of income that are guaranteed to continue for at least three years can be considered in place of traditional "job" income.

The amount of debt you are carrying can open or close the door to your home. If you have very little debt, there is more money available to spend on a home. If you have a lot of debt, there is less money left to spend on a home.

Chapter 1

You Want to Buy a House: Where Do You Begin?

Homeownership allows you to put down roots in a community and gives you the freedom to make a home uniquely yours. You will have the freedom to choose new paint colors, landscape your yard, plant a garden, or have a pet. When you become a homeowner, you invest your money in a house that can build equity, or value, and you may be eligible for tax benefits.

Homeownership comes with its share of responsibilities, too. You have to commit to staying in the same place for a while. You also have to be willing to pay expenses that may have once been part of your rent, including additional utilities, homeowners insurance, property taxes, and the maintenance and repairs on your new home.

Becoming a homeowner is exciting, but is also probably the largest, most expensive purchase you will make. Educating yourself and being well-prepared to purchase a house can help you get the best possible house that fits your needs and income.

Before you begin the home-buying process, consider whether purchasing a home is the right choice for you. If it is, you also want to consider whether now is the right time to buy a home. Renting and buying each have advantages and disadvantages. Which option offers the most advantages for you right now?

Renting

Renting may be a wise choice if you need flexibility, or want a home that frees you of maintenance responsibilities, or you're just not sure if you are ready for homeownership.

Advantages:

Flexibility: Although you must abide by the terms of your lease, after you have

Chapter 2
How is Your Credit History?

That great sale at the appliance store over the weekend seemed too good to pass up, so you spent your limit on your credit card to buy a new TV. Last month, you were late paying the dentist's bill. And this month you opened two new credit card accounts. What do these have to do with buying a house?

Information detailing how and where you use credit will become part of your credit report. When it comes time to apply for a home loan, a lender will review your credit report to determine the likelihood that you will repay what you borrow. They do this by looking at how you have handled your finances in the past. If you have a history of paying your bills on time, you will probably continue to do so. If you have never paid a bill on time, you will probably continue this pattern of behavior.

Your Credit Report

A lender interested in reviewing your payment history will request a credit report from one or more of the three national credit-reporting agencies, **TransUnion**, **Equifax,** and **Experian.** With this information, lenders determine if they are willing to extend credit to you, and at what rate.

Your credit report contains four types of information:

Identifying information. This includes your name, current and previous addresses, Social Security number, date of birth, current and previous employers, etc.

Credit information. In this section of the report, there will be a list of all the credit accounts you have with banks, credit unions, finance companies, retailers, credit card issuers, and other lenders. Credit grantors may report all this information to the credit bureaus. For each account, the report lists the type of account (revolving, installment, mortgage, student loan, etc.), when the account was opened, your credit limit or loan amount, and the account balance. It also notes if there is a co-signer. Most importantly, it shows whether you have been on time or delinquent with your payments. Positive information remains on your report indefinitely. Most negative information is removed after seven years. A bankruptcy, however, will remain on your credit report for seven to 10 years.

Chapter 3
Who is Involved in the Home-Buying Process?

When you buy a house, you will need the help of a team of professionals. Each person or company has a specific task or responsibility. Some you will work directly with; others you will not. Yet each plays an important role in helping you buy a house. Having a basic understanding of the different people involved is important and will help you through the process of purchasing a home.

The buyer -The buyer is the person, persons or entity (such as a trust or corporation) interested in purchasing a home or property.

The seller -The seller is the person, persons, or entity (such as a trust or corporation) interested in selling a home or property.

The lender -The lender is the bank, credit union, broker, private party, or other financial institution that will lend you all or part of the money needed to purchase a home or property. The lender receives compensation through fees charged at the closing. Those fees may include an origination fee, a commitment fee, underwriting fee, or points, or a document preparation fee.

The loan originator or loan officer – The loan originator or officer is the person employed by the lender to take your application, collect your documentation, and submit it to the proper people for review and processing. The loan originator or officer is responsible for explaining the process, the documentation and any required disclosures to you, in terms you understand. The lender pays the loan originator a base salary, commissions, or a combination of both.

The real estate agent -A real estate agent is a person who works with the sellers to market their home or property for sale and/or buyers to buy a home or property. The real estate agent usually is paid by the seller from the proceeds of the sale.

The real estate attorney -A real estate attorney is a person who may help buyers or sellers write or review purchase agreements or deeds. An attorney may advise

Chapter 4
Find the Right Lender and Get Pre-Qualified or Pre-Approved

Becoming a homeowner is an exciting process, but it requires careful research. You need to know what it takes financially to purchase a home before you are ready to start shopping. You need to know how much you can borrow, if you are credit ready, and how much money you will need to close the deal. You also need to find a lender you can work with.

Find a Lender You Can Work With

Before you visit with a lender or submit any information online, obtain your credit score and check your credit report to be sure it is accurate. If your finances and credit are in good shape, and you believe you are ready to buy a home, then you're ready to meet with a lender and get pre-qualified or pre-approved for a loan. Do this before you start shopping for a house so you know how much of a loan you qualify for. You need to know what price range you can afford when you begin looking for a home to buy.

How do you decide where to go? Start by talking to the mortgage loan officer at the bank *or* credit union where you have your checking *or* savings accounts, or ask friends or others who have purchased homes to recommend a lender they like.

Interview several lenders as you will need to work closely with your lender and discuss sensitive personal information with him or her during the initial qualification process. You are not obligated to use the first lender you talk to. You should be comfortable working with the loan officer you choose.

The loan officer will look at your income and credit to determine how much of a loan you may qualify for. Later, when you find a home the loan officer will give you cost estimates for the down payment and closing costs (called a Loan Estimate), and explain the Joan and documents in terms you understand.

Chapter 5
Understanding Your House Payment

As you've gotten your finances in order so you can buy a house, you've looked carefully at your monthly income. As a result, you probably know how much of your monthly take-home pay you feel comfortable spending on a house payment. **You need to let a lender know what house payment is realistic in your monthly spending plan, especially if you want to spend less than the house payment a lender may be estimating for you.** You are the one who will be making the payment, and you need to be comfortable with that amount.

A lender uses your gross income to qualify you for a home loan, not your net income (the income that you use for preparing your monthly spending plan.) Your spending plan reflects your lifestyle and the amount of money you are willing to use for housing, which may be more or Jess than what a lender calculates using your gross income. Unless you tell them otherwise, lenders will qualify you for your maximum affordability, and real estate agents may only show you houses in that top range.

The House Payment (PITI)

When lenders talk about a house payment, they are referring to more than just the loan payment. PITI refers to the Principal and Interest for the loan, plus any property Taxes and Insurance(s).

·**PI stands for the principal and interest payment for your loan.** The principal is the amount of money you borrow from the lender. If you take out a $100,000 loan, the principal amount is $100,000, and each month you will pay back a part of that amount. Most loans require you to make monthly payments, but some will allow bi-weekly payments. The interest is the amount of money the lender is charging you to use its money. The "PI" will be your monthly payment to the lender for the Joan you get from them, and it will cover both the principal and interest.

·**T stands for taxes on the property.** You are required to pay property taxes on the value of the land and any improvements on it when you purchase a home or property. The city and county use the taxes to cover some of the costs of the fire department, police department, road repair, and school budgets. Your property taxes may change on a yearly basis, up or down, depending on your property assessments

Chapter 6
What Types of Loans are Available?

When you start working with a lender, you'll probably hear about several types of loans that may be available to you. This might seem overwhelming at first, particularly when you consider that there are hundreds of loans offered under different names. To keep things simple, however, you just need to remember that there are only four basic loan types, or vehicles. These loan types have differences in allowable debt ratios, in down payment and closing costs, and in underwriting rules, but they are "vehicles" that can get you into a home. The kind of loan you are able to get will affect the type and cost of house you purchase.

These **four basic "vehicles" or loan types** include:

Conventional loans
- **FHA** loans, (Federal Housing Administration)
- **VA** loans (Veterans Administration)
- **Rural Development loans** (U.S. Department of Agriculture)

The most significant difference among these loans is the amount of down payment required. Conventional loans usually require a minimum down payment of 5% to 10%, FHA loans require a minimum of 3-1/2% to 5%, and Rural Development, and VA loans have no down payment requirement.

There are also differences in the way these loans are administered. **Conventional loans are bundled and sold to private investors, which include banks,** insurance companies, and retirement funds. Some lenders, called portfolio lenders, may originate loans and keep them in their own portfolios. **FHA loans are insured by the office of Housing and Urban Development (HUD), while VA loans are guaranteed by the Department of Veteran Affairs. Rural Development, under the U.S. Department of Agriculture, is a direct lender that guarantees its own loans.**

Your lender will help you choose the type of loan you use. Anyone may use FHA, conventional, and Rural Development loans; however, Rural Development loans have additional requirements for active-duty military personnel and full-time college students, and have some location limitations. Veterans, active-duty military personnel and National Guard members, who meet the service requirements, may use VA loans. FHA, Rural Development and VA loans may have lower limits on maximum

Chapter 7
Shopping for a Home

You're about to begin one of the most exciting aspects of buying a house. You've talked to your lender and have been pre-approved for your loan, and you have saved enough money to cover your down payment and closing costs. You know how much you truly have to spend on a house. Now you are ready to shop for a home that fits your budget and your needs.

How Do You Find a Home to Buy?

You can look in the newspaper under "Homes for Sale," and you can pick up free real estate shoppers' guides that you can find in supermarkets, convenience stores, and business lobbies. You can drive through neighborhoods looking for "For Sale" signs, or search the Internet. You can even ask your friends and co-workers if they know of any homes for sale.

Using a Real Estate Agent

Using a real estate agent is often the most efficient way to look for a home. Start looking for an agent by asking your friends, family, or associates to recommend someone to you. When you've narrowed your search, interview at least two or three prospective real estate agents. You will be spending a lot of time with whomever you choose, shopping for the most expensive purchase you are ever likely to make.

The person you choose should be someone who: returns your calls in a timely fashion, you are comfortable with, is willing to explain things in terms you understand, and who listens to what you want. A good real estate agent can make the home-buying process less time consuming and can provide a wide range of services. Your real estate agent will research the list of homes for sale and arrange to show you homes that meet your needs. He or she can provide you with information about the community, schools, real estate taxes, property covenants, or code regulations, and should do a market analysis on the homes you are interested in making an offer on.

Your real estate agent should also be able to provide answers to any questions you have about the property (or refer you to another professional who can), explain the

Chapter 8
Finalizing Your Loan

Your offer is accepted. One of the contingencies in your offer was obtaining approval of financing for your home. Now it's time to go back to your lender to get your mortgage loan approved.

The lender will need the address of the home, the purchase price, the loan amount, as well as any other documentation still required. The lender is going to prepare a form called the Loan Estimate. The Loan Estimate shows you the key features of the loan, costs and risks. The lender needs to provide you the Joan estimate no later than three (3) business days after you submit a completed loan application with the property address and the value of the property.

The process and forms were changed in 2015. For individuals who purchased a home before 2015, the Loan Estimate is a combination of the previous forms, the Good Faith Estimate and the Truth in Lending Disclosure. This was done to make the form more understandable and allow you to compare one lender's financing offer to another lender's financing offer. Not all lenders charge the same fees. You have the ability to call other lenders and go through their application and underwriting process. At the point of the Loan Estimate you are not bound to stay with the lender that provided the pre-approval.

You have a signed and accepted purchase agreement with the timeframe where many tasks have to be completed. You cannot waste time if you want to compare lender costs. If you are going to shop around and want to get a Loan Estimate from other lenders you need to provide the lenders with all the documentation and submit a loan application within a day or two. The lenders will have 3 business days to provide you with the Loan Estimate. If you do not qualify for a loan with that lender, they are not required to provide you with a Loan Estimate.

The Loan Estimate provides you with a great deal of information on the terms of your deal. Lenders are bound to honoring the Loan Estimate with just a few exceptions. If the circumstances of you application change, the deal would change. If you did not lock in an interest rate, the lender is allowed to provide a revised Loan Estimate.

Chapter 9

The Loan is Approved - Let's Close

After the final underwriting review is done and everything is in order, you should receive your full loan approval and can schedule your closing. You should ask who is responsible for scheduling the closing with the closing agent. In some areas of the country, it is the real estate agent, others the lender, and in still others, it might be you.

The Closing

The closing is the time when you will sit down with the person who is serving as your closer, review all your closing documents and sign them. Most lenders will expect you to use a cashier's check to pay any money you still owe. The seller will also have to review and sign some documents. After both parties have agreed that the terms of the transaction have been met, and they have reviewed and signed their documents, the seller will receive his proceeds check and the buyer will receive the keys to the house. The transaction will be closed, and you will be a homeowner.

What Should You Expect at Closing?

Your lender is responsible for getting your loan closing documents to the closing agent. Your lender may also instruct you to take to closing any additional documentation that you need to provide to meet underwriting conditions, such as a binder and receipt for homeowners insurance for one year, a current pay stub, your photo identification, inspection certifications for wells, septic systems or water, proof of repairs being done, etc. The closing agent could be an attorney, a title company, an escrow agent, or even your lender. Your lender will instruct the closing agent on any conditions that still have to be met before the closing can take place. The closer will ask you for any missing documents and will not proceed until you provide them. Your lender will also send instructions about the fees and charges to be collected or credited for the closing. The closing agent will notify the lender of any additional fees for the taxes, insurance, or their closing fees.

Chapter 10
You are a Homeowner! Now What?

Buying a house is just the beginning of your adventure as a new homeowner. You'll be able to paint the walls, plant shrubs and flowers, hang pictures and begin to transform your new house into your unique home. But the single most important task you need to do after you buy your house is make your house payment on time, in full, every month, so that you will continue to be a homeowner.

It is easy to get carried away with your dreams and goals for fixing up your new house. You may want a big screen television, a new sofa, updated floor coverings, and new appliances right now so the house looks good when guests come to visit. The easy-credit, no-payment-for-a-year plans can sound very attractive. It can be so easy to just charge it now and worry about paying for it later. However, that way of thinking may jeopardize your finances and your ability to keep your home. If you took out a home loan at the maximum amount you qualified for and now you are running up even more debt for furniture and home accessories, will you be able to cover all your bills? You may not be able to furnish and decorate every room in your house the way you want right away. You may need to plan to fix up the house a little at a time. Remember, your first priority is making your house payment.

Making Your Payments

You should have received instructions from the closer on how and when to make your first payment, especially if you do not receive a statement or coupon book before the first payment is due.

Chapter 11

Owning a Home Brings Joys, Responsibilities

Your new house will be a place that brings you comfort, enjoyment and shelter for many years, especially if you make the effort to regularly repair and maintain it. A well cared for home is safer, more attractive and can even save you some money if you take steps to make it energy efficient. Your house payment will be an investment each month as you build equity in your home. And, in the future, when you need or want to sell it, all the maintenance you have done will pay off because your home will be more desirable to buyers.

General Maintenance

As a homeowner, you are responsible for your property and your home. You'll need to find out if your city or town has ordinances governing how tall your grass can be, whether the sidewalks have to be cleared of snow and ice, and how many junk cars you can have. If you are in violation of a city ordinance, the city can hire someone to do the work or clear away the junk and charge you for it. Their charges are usually much higher than what you would have paid if you hired the workers or did it yourself. Most ordinances address safety and health issues. You need to mow your lawn and keep the weeds down so rodents and snakes don't take up residency in your yard. You need to clear the snow and ice from your sidewalk so the postal workers, delivery people and other can pass safely.

You are responsible for maintaining your home. Make sure you are fully aware of your home's overall condition inside and out. For example, if paint on your home's exterior starts peeling or chipping, you need to repaint those areas. If you do not, the wood frame of your home will be exposed to water. Water will cause the wood to rot, and it will affect the structural integrity of your home. It is less expensive to paint a few spots or even repaint your whole house than to repair the structure of your home. By doing routine maintenance checks on your home and taking care of problems when they first appear, you will save yourself a substantial amount of money. If you do not have the tools or equipment to take care of your property, you can hire someone else to do the work, or you may be able to rent or borrow the needed equipment.