Moving Forward

Connecticut Homebuyers' Guide

Connecticut
Fair Housing Center

About Us

Our Mission: The Connecticut Fair Housing Center is a statewide nonprofit fair housing organization dedicated to ensuring that all people have equal access to housing opportunities in Connecticut.

What We Do: To accomplish its mission, the Center provides legal assistance and investigative services to Connecticut residents who believe they may have been the victim of housing discrimination; education and outreach on the fair housing laws; strategic planning and advice for cities and towns on fair housing compliance; advocacy for legislative changes that will make substantive improvements to laws that affect access to housing; and foreclosure prevention legal assistance.

Learn more about us and our work:

www.ctfairhousing.org
(860) 247-4400 or **Toll Free (888) 247-4401**

Request a copy of our Moving Forward Homebuyers' Guide or Renters' Guide by calling (860) 856-5496 or emailing home@ctfairhousing.org

Learn more about the Moving Forward Guides and our work by visiting:

www.ctfairhousing.org/movingforward

You can find an electronic copy of this guide with clickable links by visiting our website.

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Executive Director's Introduction

This guide is designed to help you through the home buying process, whether you are buying your first home or coming back into home buying. There are many guides and classes out there to help you find the right home and get the mortgage that makes the most sense for you. This guide is designed to help you evaluate the assistance and advice you may come across. For example, a lender may be willing to lend you enough money to buy your dream home, but only you can decide if the monthly payments are affordable to you after you pay all of your other expenses.

In addition, a real estate agent may be willing to show you houses in your current neighborhood, but only you can decide if that is the right place for you and your family to buy a home. For some people, leaving their current neighborhood is not an option because of the family and social support located there. For others, moving to a new city, town, or neighborhood represents an opportunity to gain better access to employment, schools, or a bigger house. Whatever you choose, the important thing is that your move gets you what you want in a new home at a price that you can afford.

Why does this guide highlight fair housing and fair lending?
While many home buying guides published by lenders and non-profit counseling agencies give excellent information about *the mechanics* of buying a home, few point out the potential for housing and lending discrimination. Fair housing testing in Connecticut and in places around the country has shown that some real estate agents steer people based on their race or national origin.

For example, a homebuyer who is Black may be shown houses in neighborhoods that are majority-Black, while homebuyers who are White are shown homes in neighborhoods that are majority-White. That is called steering and it is illegal. Unfortunately, steering is hard to detect, as are other forms of discrimination. In addition to guiding you through the home buying process, this guide will give you tips and examples of how to recognize housing or lending discrimination and what to do if it happens to you.

Be sure to read the chapter on **Learning Your Fair Housing Rights** and pay attention to the **Fair Housing Tips** to ensure that you are able to buy the house you want, free from discrimination.

Good luck finding the home you want in the location you choose. And do not hesitate to call us if you experience housing discrimination along the way.

Erin Kemple

Erin Kemple

Using this guide

This guide is designed to ease you through the process of purchasing a home. This is an exciting time, but it can also be stressful and intimidating. This guide will cover the process from beginning to end, including questions to help you decide if you are financially prepared and information about what mortgage products are available, documentation you will need to qualify for a loan, considering your priorities, searching for your dream home, and what to do after you have found the place you will call home. Most importantly, this guide will help you learn your **fair housing rights** and how to protect them. We hope you will find this guide to be a strong foundation that allows you to make the decision to purchase a home with confidence.

Throughout the guide, there will be red boxes labeled **Fair Housing Tips**. These tips will highlight important information that can help you if you are a victim of discrimination and need assistance.

FAIR HOUSING TIP

You will also find **General Tips** that highlight other important issues not related to fair housing/lending, like setting up inspections or ensuring that you know where the property lines are. These tips can be found in green boxes.

GENERAL TIP

Additionally, the home buying process includes many terms and concepts that may be new to you. You can find definitions and explanations in the glossary, **Word for Word**, located in the back of the guide.

Ideally, these tips and information will help you protect your rights from the very beginning of your home buying process all the way to closing on your home and insuring your property.

We have also included **Forms** to help you stay organized during the process. You can find more of these forms in the back of the guide. If you run out, you can also download them from our website: **www.ctfairhousing.org/myhome**

Good luck on your search!

Learning Your Fair Housing Rights

What is the Fair Housing Act?

In order to make sure that everyone has equal access to housing, the United States passed the Fair Housing Act of 1968. It is a federal law that prohibits discrimination in the rental, sale, financing, or insuring of housing because you are a member of a protected class. The federal law prohibits discrimination because of a person's:

- **Race**
- **Color**
- **National Origin:** whether or not you were born in the United States
- **Sex (Gender):** whether you are male, female, or gender non-conforming
- **Disability:** Mental or Physical
- **Religion**
- **Children or Familial Status:** whether or not you have children in your household

In addition, the state of Connecticut also recognizes the following as protected classes:

- **Ancestry:** where your parents or ancestors are from
- **Marital Status:** whether or not you are married
- **Age**
- **Sexual Orientation:** having a preference for heterosexuality, homosexuality, bisexuality or being asexual

- **Lawful Source of Income:** if some or all of your income is in the form of Social Security, or SSI, alimony, or child support
- **Gender Identity and Gender Expression:** whether your gender expression/identity matches your assigned gender at birth

FAIR HOUSING TIP:

All real estate agents and real estate brokers in Connecticut are covered by the fair housing laws. In addition, all lenders are covered by the same laws. Owners of single family homes may be exempt if they do not use a real estate agent or broker to sell their property, they do not post any discriminatory advertisements, and if they own fewer than three single-family houses at any one time. To contact the Connecticut Fair Housing Center—(860) 247-4400 or Toll Free (888) 247-4401

FAIR HOUSING TIP:

Homeowner associations, condominium associations, co-ops, and the boards of these organizations are covered by the fair housing laws and are not permitted to discriminate based on membership in a protected class.

What does discrimination look like?

Sometimes discrimination can be easy to recognize, but other times it can be more difficult to determine whether you are the victim of discrimination or simply not qualified. Here are some examples of what discrimination can look like:

Misrepresenting the availability of housing: A seller or real estate agent tells you, because he knows or believes that you are a member of a protected class, that the house or condominium is not available, when in fact it is available.

FAIR HOUSING TIP:

If you feel this has happened to you, you can have a friend call from a different number to ask if the home is available and see if they are given a different response. If you find out that you were lied to, you can file a complaint. Call us at (888) 247-4401.

Refusals to sell: A seller or real estate professional refuses to sell to you because you are a member of one of the protected classes. This can sometimes be a blunt statement, such as “We do not want to sell to families with children” or “We do not sell to Muslims.”

Refusals to lend: A lender refuses to give you a mortgage because you are a member of a protected class or because you want to buy in a neighborhood that is considered “majority-minority.” Refusing to lend in certain neighborhoods is called “redlining” and it is illegal.

Refusals to insure: An insurance company refuses to sell you an insurance policy because you are a member of a protected class, because you live in a neighborhood that is considered “majority-minority,” or because you rent to people in the protected classes (i.e. if you rent to tenants who have Section 8).

Steering: A real estate agent guides you to or away from certain areas based on your race or other protected factors. This includes saying or indicating you would not be comfortable with existing residents of the community or neighborhood.

Discrimination in terms and conditions: You are given different terms or rules than others because you are a member of one of the protected classes. For example, a real estate agent refuses to meet with you alone because you are a Black man and she is afraid to be alone with Black men.

Discriminatory advertising: Any written statement in a newspaper or oral statement that indicates preferences or limitations for certain people. This includes online home listings and any ad or brochure that is created by the owner or seller of the property. Some examples might include ads that say “Just right for a young couple starting out” or “Active adults only.”

FAIR HOUSING TIP:

When you see discriminatory advertisements in newspapers, keep them or make copies. If the ad is online, you should take a screen shot or photo on your phone or computer. Online ads can be changed or taken down quickly, so it would be best to have a copy you can access at any time. Please report these advertisements to the Connecticut Fair Housing Center at moving@ctfairhousing.org

Use of threats, intimidation, or coercion: A real estate agent, neighbor, or community member attempts to prevent you from buying a home in a neighborhood or community by suggesting that you will not be safe, that neighbors may not want you to move in, or that you may feel “more comfortable” in another neighborhood.

Discrimination with a smile: Sometimes a statement is made that sounds like the seller or real estate agent is trying to help or protect you. Perhaps you are told that families with children are only allowed to buy condos on the first floor to avoid accidents or to be closer to the playground in the courtyard.

It might sound like they are doing you a favor, but the moment they restrict your choices due to your membership in a protected class, they are violating your rights.

If you feel that any of these things has happened to you, you can report it:

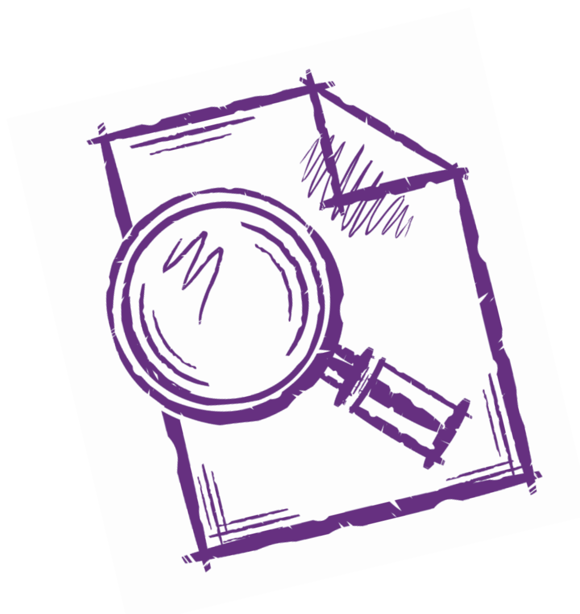
www.ctfairhousing.org/report-housing-discrimination
(860) 247-4400, (888) 247-4401

We may be able to investigate and offer free legal advice.

The information above is an overview of your fair housing rights and will help you recognize some of the most common forms of housing discrimination. There will be more information on these topics throughout the guide in the form of **Fair Housing Tips**.

If you have additional questions, please check the **Frequently Asked Questions** section on our website. If you still cannot find the answer to your questions about housing rights and discrimination, please contact us.

If you would like to learn more about the Fair Housing Act, think about scheduling a fair housing training:
www.ctfairhousing.org/trainings/



The Beginning

Are you ready to buy a home?

Buying a home is one of the biggest financial decisions a person will make in their lifetime. Home ownership is the largest and most often-used tool for wealth accumulation. Sometimes it seems like an easy choice to purchase a home, especially if the mortgage payment will be lower or equal to your current rent, but remember that owning a home may include additional expenses and responsibilities that you might not have as a renter.

So how can you figure out if you are ready to buy a home? You know better than anyone if you are emotionally ready to make this investment, but here are some questions to help you figure out if you are financially prepared:

1. Have you had a steady and consistent income over the last few years?
If you feel you have job/income security, it could give you the confidence you need to make this investment. Having a steady income over an extended period of time can also make it easier to create a budget and determine what you can afford. These are also factors that will impact the types of loans you will qualify for.

GENERAL TIP:

There is more information about how to set a budget and figure out how much home you can afford in the section "Let's Talk Money." You can use the tools on pages 13–35.

2. Do you have a down payment?
A down payment will be a major factor in determining how much home you can afford and the types of loans you will be offered. The amount can vary depending on the type of loan. There are some loan products that require very little for a down payment, but most conventional loan products have higher requirements. It's a good idea to start saving as soon as you begin thinking of buying a home.

3. Do you have additional savings for unexpected expenses?
Unlike renting, you will now be responsible for anything that goes wrong in your home; it may even need repairs or renovations before you move in! It is recommended that you have some savings available to help cover larger expenses that will come up (replacing an appliance, plumbing issues, electrical work, etc.). In addition, some emergency savings can help you cover your mortgage payments in the event of an unexpected job loss. If you don't have additional savings to cover these situations, it could mean taking on more debt or even falling behind on your mortgage.

4. Do you have good credit?
If you do not have good credit, you might want to take some time to repair that before purchasing a home. A higher score will open the door to better financing opportunities that could save you thousands in the long term.

Understanding your credit is important, so if you don't know your credit score or haven't reviewed your credit report in a while, you might want to do both.

GENERAL TIP:

You can request a free copy of your credit report annually from each of the 3 major credit agencies at www.annualcreditreport.com. Be careful with paid credit repair services—many are scams.

5. What is your timeline?
The time it takes to search for a home, secure a mortgage, and move can vary, so it is important that you are flexible. If you are currently renting, you might want to look at the option of doing a *month-to-month lease*. If that option is not available, you might need to be strategic in your planning. You might need to budget the expenses of maintaining two places for a couple of months in the event that you move before your lease ends. You might also want to review your lease and see if there is an early termination clause. Talk to your landlord about your options.

While answers to these questions are generally good indicators of whether or not you are ready to buy, *they might not necessarily mean that you should or should not buy a home*. Only you can decide this.

If you are not ready to buy, what can you do to prepare?

This is a big step, so don't rush into it. It's okay if you are not ready to buy a house yet. There are many things you can do to prepare and put yourself in the best position possible for a future purchase.

1. Identify what you need to work on:

- Settle into your job to demonstrate a secure income source
- Start saving more for a down payment and other home expenses
- Repair your credit
- Other (i.e., take care of family issues or change the length of your lease)

2. Make a plan to fix/correct any issues. Make sure that you have a clear plan with a realistic timeline. If you need additional professional help, from a financial planner or someone who can help you improve your credit score, look for those resources.

Here is an example of a plan that gets you ready to buy a home. You can find a blank form on page 77.

Getting Ready: What do I need to prepare to buy a house?

Working On	Goal	Due Date	Plan
Down Payment	$20,000	November 2018	I have $8000. Save $500/month plus tax refunds.
Expense Account	$5,000	January 2019	Save $208/month
Credit Score	720 Score	July 2018	Examine Credit Report. Correct any mistakes; consult with legitimate credit repair agencies about the best way to repair credit score.

Buying vs. renting

Even if you *are ready to buy* a home, it doesn't necessarily mean that it is the right choice for you. You might want to make a list of advantages and disadvantages for buying and renting. The chart below provides you with examples of some pros and cons. You can find a blank form below and on page 79.

	Pros	Cons
Buying	Long-term investment (equity)	Long-term financial commitment/restricts your mobility
	Possible tax deduction on mortgage interest	May lose money if forced to sell as the result of a loss of income or an unexpected job transfer.
	Greater privacy and flexibility in how you decorate or modify your home	Additional labor to upkeep (snow, lawn, repairs)
	Stability	Dependence on housing market for value reassessment
Renting	Flexibility to relocate/change areas	No long-term equity built
	Access to good schools in area where houses are outside of your price range	Subject to rent increase or deterioration in services/amenities
	24/7 maintenance help	Revolving changes in management and neighbors
	Access to amenities (pool, spa, etc.)	Restrictions on pets and/or additional fees

These are just examples—some of these items might not necessarily reflect how you feel about the Pros vs. Cons of owning a home. You should fill out this form with your own Pros and Cons.

	Pros	Cons
Buying		
Renting		

The home buying process

2 Learn your rights and your mortgage options.

1 Start by checking your finances and credit score. Set a monthly budget.

3 Compare mortgage products and work with a bank or mortgage broker to get prequalified.

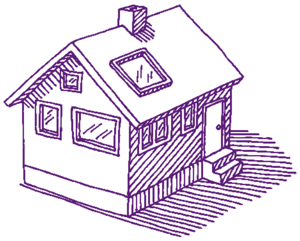
4 Find a real estate agent (optional, but may be helpful).

5 Research areas you are interested in. Look at homes by attending open houses, looking online, or setting appointments with your agent (if you have one).

6 Prepare the financial documents you will need to get a loan (see form on page 85).

7 Once you've found a home, work with your agent to draft and submit your offer/ purchase contract to the seller.

8 Schedule home inspections and re-negotiate if needed. Pay attention to deadlines in your contract.



9 Almost there! Send final documents to your lender as soon as possible so your mortgage can be completed. A closing date will be scheduled. Read documents carefully before signing. Breathe a sigh of relief and take the keys to your new home!

Let's Talk Money

How do you know what you can afford?

Affordability

There is a difference between how much you can borrow and how much is affordable to you. A lender may be willing to give you a bigger loan than you can really afford. A lender will examine your income, debt, and credit to determine how much to lend you, but you should consider how much you feel comfortable borrowing given your current circumstances. Ask yourself questions like:

Am I willing to pay more every month if the house is in a neighborhood I like?

If I take on this mortgage payment, will I have money left to cover other housing costs like repairs, utilities, new appliances, and maintenance?

If I or my partner lose our jobs, make less money, or grow our family, will this house still be affordable for us?

Will paying more on a mortgage make it difficult for me to save for retirement, my children's education, or other financial goals?

Will I still be able to afford doing things I enjoy, like eating at restaurants and taking vacations? If not, am I willing to make these sacrifices or should I borrow less?

To determine what *you* find affordable, start by following the steps a lender will take in deciding how much you should pay for your housing costs every month after you buy your home. Once you have a sense of what you will pay every month, you can decide if that meets *your definition* of affordable. You may decide to borrow less if it means having extra money in your pocket every month.

Calculating the amount you will pay every month depends on many factors, including the price of the home, the annual interest rate on your loan, and other costs like homeowner's insurance, private mortgage insurance, and property taxes.

Front-end and back-end ratios

When calculating how much you should pay every month, lenders start with two ratios called **front-end** and **back-end ratios**. The front-end ratio is sometimes called the housing expense-to-income ratio. Lenders usually want the **front-end ratio** to equal 28% of your gross monthly income. The **back-end ratio** is your monthly housing expenses once you buy your house plus your other minimum monthly debt payments. This ratio can be as high as 36% of your gross monthly income. While different lenders may use different ratios, these ratios will give you a sense of what you can afford and what you will pay each month once you own a home.

Calculating gross monthly income

Both ratios rely on your gross monthly income (income before taxes). Your gross monthly income should include all income coming into your household, including pay from work, pensions, alimony, child support, and any government benefits such as Social Security or SSI. In addition, the lender should include all money you ask to be considered that is paid to any household member, even if that household member is a child. Remember, gross income also includes money that is withheld from your paycheck to pay things like taxes, insurance, and union dues.

A lender will collect paystubs and other information to document your gross monthly income, then determine what you are paid on a yearly basis. The monthly income amount on your mortgage application may be slightly higher or lower than what you received last month, because your income may vary from month to month and a lender will want to include all of the income you receive in a year.

If you are paid overtime or bonuses, you should show the lender proof of the amount and consistency of these overtime or bonus payments when you apply for a mortgage. However, these may not be included in your yearly income if you cannot prove you will receive them every year.

FAIR HOUSING TIP:

Some lenders will not include income coming into a household if the income is not earned through work. In Connecticut, it is illegal to discriminate based on a *lawful source of income*. Therefore, the lender should include all money that is paid into a household such as alimony, child support, pension payments, or disability payments, even if the money is not earned through work.

FAIR HOUSING TIP:

A lender should include the income of a woman who is pregnant or a parent on family leave when calculating gross monthly income. Failure to include such income when determining eligibility for a loan is considered discrimination based on *sex* and *familial status*.

FAIR HOUSING TIP:

Lenders cannot treat an applicant who is using government benefits to qualify for a mortgage less favorably than an applicant who is using work income. For example, a lender cannot ask a borrower who has Social Security income for proof that income will continue for five years unless the borrower is also asking people who work for the same proof.

Calculating housing expenses

When you buy a home, your total monthly housing expense is usually referred to as PITI, or Principal, Interest, Taxes, and Insurance.

Principal: the portion of the amount you originally borrowed that you repay every month. In the beginning, most of your payments are interest and not principal.

Interest: the amount paid to the lender in exchange for the mortgage. In 2016, interest rates on 30-year mortgages were between 3% and 4% for buyers with good credit, but this will vary depending on the state of the housing market, your credit, and other factors. Visit the website of a lender to see current interest rates.

Taxes: paid to a municipality for costs like public schools, garbage pick-up and other municipal services.

Insurance: monthly payments for *hazard insurance* and, if applicable, *private mortgage insurance* (**PMI**), which most lenders require if you do not make a cash down payment of at least 20% of the purchase price of the house.

GENERAL TIP:

In Connecticut, when you make an offer on a home, the initial deposit you give to your real estate agent may be as low as 1% or 2%, but almost all lenders expect a minimum down payment of at least 3.5%.

Calculating monthly debt

To calculate your back-end ratio, add your projected monthly housing payment to your other monthly minimum debt servicing payments and divide by your gross monthly income. Most lenders prefer that this ratio be 36% or less of your gross monthly income. Again, some lenders may permit higher or lower back-end ratios, but use 36% as you start your housing search. Your monthly debt service includes any money you pay each month on a credit card, a car loan, a student loan, or any other money you have borrowed that you pay back in installments. The lender will only include the amount you are required to pay each month on each of the debts to calculate your monthly minimum debt servicing payments.

For example, if you owe $2,000 on a credit card and your monthly payment is $40 per month, the $40 you are obligated to pay every month would be added to your other debts to calculate your back-end ratio. Table 1 gives an example of how to calculate your front- and back-end ratios. You can use the form below to calculate your own front- and back-end ratios. You can find more blank forms on page 87.

Table 1: Calculating Front-end and Back-end Ratios

		Sample Calculation	Your Calculation
	Gross monthly income		
	Earned income from work	$4,000	
	Government Benefits	$0	
	Alimony, child support	$1,500	
1.	**TOTAL MONTHLY INCOME (Add all of the income amounts listed above)**	**$5,500**	
2.	**FRONT-END RATIO OR MONTHLY HOUSING EXPENSE (28% of monthly income or .28 multiplied by Line 1)**	**$1,540**	
	Monthly Debt		
	Car loan ($8,000 balance)	$230 (paid monthly)	
	Credit Card ($2,100)	$40 (paid monthly)	
	Student loan ($2,000)	$182 (paid monthly)	
3.	**TOTAL MONTHLY DEBT (add all of the amounts paid monthly except the housing expenses)**	**$452**	
4.	**MONTHLY DEBT PLUS HOUSING EXPENSES (Line 2 plus Line 3)**	**$1,992**	
5.	**BACK-END RATIO (not to exceed 36%)(Line 4 divided by Line 1)**	**36%**	

What are your other expenses?

After calculating your housing cost plus other monthly debt, you should examine the other expenses you have every month. Are you paying for school tuition, daycare, medical expenses, or transportation to work? Your utility expenses will also go up since your house will likely be larger than your apartment. Also remember that your gross monthly income does not include the amount of taxes taken out by your employer, which can substantially reduce the net amount you actually get in your paycheck.

While these expenses are not included in your total monthly debt-plus-housing-payment, you should assess whether your new housing payment plus monthly debt payments leave you enough to pay for all your other expenses. If not, you may want to choose a less expensive home with a lower monthly housing payment.

In addition to your other expenses, your budget calculations should include saving for emergencies or unexpected housing expenses, like replacing a roof or a boiler. You may also want to contribute to retirement savings or a college fund for your kids. If your housing payment plus your monthly debts and fixed expenses are so high that you cannot afford to save, you may want to buy a less expensive home.

Use the form below to calculate your own monthly budget before you buy a home. You can find more forms on page 81.

Table 2: Sample Monthly Budget

	Other Monthly Expenses	Sample Calculation	Your Calculation
	Taxes taken out of work income	$800	
	Utilities (water, gas, electric, etc.)	$250	
	Daycare for son	$800	
	401(k) contribution	$250	
	Bus pass	$100	
1.	**TOTAL OTHER EXPENSES (add all of the above expenses)**	**$2,200**	
2.	**HOUSING COSTS (Line 2 from Table 1)**	**$1,540**	
3.	**OTHER MONTHLY DEBT (Line 3 from Table 1)**	**$452**	
4.	**TOTAL MONTHLY EXPENSES (Add lines 1–3 from this table)**	**$4,192**	
5.	**Total Monthly income (Line 1 from Table 1)**	**$5,500**	
	Amount remaining after payment of fixed costs (Subtract Line 4 from Line 5)	**$1,308**	

How much house can you afford?

Before looking at homes or contacting lenders, some borrowers want to determine how much house you can afford. An easy way to find out is to use an online tool that asks for some basic income information and then gives you the price of a house you can afford.

To find out how much you can afford, go to **bankrate.com** and click on "Calculators" at the top of the page, or click here: **http://tinyurl.com/mortgageamount**. Alternatively, you can go to **www.chfa.org** to use the CT Housing Finance Authority's home affordability calculator.

The forms that appear will ask you for information about your wages, investments, alimony, or other income, along with information about how much you've saved for a down payment and estimates of the expenses from Table 2 above. Once you enter all of this information, the calculator will give you a sense of the home prices for which you might qualify. Use this as a guide when deciding which homes to consider.

What is a mortgage pre-qualification?

A **pre-qualification** is a quick check by a lender to give you a general idea of how much they will lend you. Lenders who agree to **prequalify** borrowers may do a "soft" credit score pull. This means the lender will not make an official credit inquiry, and should not affect your credit (but if you're not sure, ask the lender to confirm). However, pre-qualification is not a commitment to approve you for a loan.

What is a pre-approval?

Pre-approval is a promise from a lender that they will lend to you if you continue to make the same amount of money and have no changes to your credit score. It is not a promise to lend you money on any house you find. Getting a loan approved for a particular home involves examining both the income and credit of the borrower along with the value and condition of the home you want to buy. The loan approval process will be explained in detail later in this guide.

To get preapproved for a loan, you should meet with a lender and authorize them to get information about your income, deposit accounts, and your credit history. Based on this preliminary information, a lender will give you a preapproval letter that will tell you how much you can spend on a home.

An official, or "hard," credit inquiry by a lender can slightly lower your credit score for up to 90 days. However, you might need to ask a few lenders to do so in order to compare offers. To minimize damage to your credit score from too many inquiries, try to complete all your pre-approval applications within a short span of time, preferably within two weeks.

GENERAL TIP:

In general, buying a house in Connecticut can cost a lot of money. However, some condominiums or other types of homes are not as expensive as single family homes. If you have found a home you want to buy, but a lender tells you they don't offer loans that small, call the Center. We may be able to help.

What should you know about your credit score?

A credit score is supposed to tell a lender whether you are likely to pay back your loan. The higher the score, the more likely you are to pay the money back. The lower your score is, the bigger the risk to the lender that you will not pay back what you owe. If your credit score is low, you may want to think about waiting to buy a home until you can improve it.

How do you learn about your credit?

Every person is entitled to one free **credit report** annually from each of the three credit reporting bureaus (Experian, TransUnion, and Equifax). When preparing to buy a home, you may want to pull all three reports. *The only website where you can get your credit reports absolutely free,* without having to sign up for a subscription, is **www.annualcreditreport.com**.

Read your reports carefully. They will include lists of what you owe, what you have paid on any credit cards or other loans, and records of whether your payments were on time or late. Compare the three reports—sometimes, a negative item will only appear on only one, but that can be enough to lower your credit score! If you notice any mistakes on your reports, try to find documentation to back up your claim, and either contact the creditor directly or submit an official dispute to the credit agency (or both). This can help to repair your score. If there are no negative items on your credit reports, it is likely that your credit score is good.

Your credit reports do not include your **credit score**. A **credit score** or your **FICO score** can be purchased from the three major credit bureaus, Experian (**experian.com**), TransUnion (**transunion.com**), and Equifax (**equifax.com**), or from **www.myfico.com**. A lender may use one or all of these companies to check your credit score. When you are ready to apply for a mortgage, you should check your credit score on one or all of these sites. Unfortunately, you typically must pay a fee to get each score.

GENERAL TIP:

The credit bureaus often package scores into a paid monthly subscription that includes a credit monitoring service. These services can sometimes be helpful, especially if you have experienced identity theft in the past. However, the monthly fees can get expensive. If you just want to check your score once, you may want to cancel any subscription shortly after you view your score to avoid paying additional charges each month.

GENERAL TIP:

Some credit card companies, as well as budget management services such as Mint.com, will provide an estimate of your credit score for free, so you may want to check these before paying for your score.

Checking your own credit score is considered a **soft inquiry** and does not hurt your credit. **Hard inquiries**, such as when you apply for a credit card or car loan and the company pulls your credit, can lower your score, which is why it's so important to limit this activity when preparing to buy a home.

Your credit score is too low. What can you do?

To improve your credit score, you can do the following:

- Pay all bills on time.
- Pay at least the minimum on your credit card bill each month (more if you can).
- Don't let the balance on any of your credit cards exceed 1/3 of your credit limit.

- Keep your existing credit card accounts open—the length of your credit history is important—but don't add more accounts.
- Correct errors on your credit report by submitting disputes to the credit agencies.
- Reduce your overall debt.

More information about how to improve your credit score and maintain good credit can be found at **www.myfico.com** or **www.creditreport.com**.

Do you need a big down payment?

The amount of your down payment depends on the type of loan you want. A larger down payment may help you to afford a bigger house or result in a lower monthly payment.

As you can see from Table 3, different loan types require different minimum down payments. One thing to keep in mind is that if you make at least a 20% down payment, you will not have to pay **private mortgage insurance** (PMI). PMI typically costs between .5–1% of the loan amount per year. This means that if you borrow $100,000, you will pay as much as $1,000 a year in PMI, or about $83 per month. PMI protects the lender if you do not make your mortgage payments.

With many types of mortgages, PMI can be cancelled after you have reached 20% **equity** in your home (meaning that the amount remaining on your loan is less than 80% of the home's value). Sometimes, if you have made improvements to the home or if the housing market has improved since your purchase, and your home's value increased, you may be able to ask the lender to recalculate earlier than expected. Ask the lender how this will be handled for your particular situation.

How do you know what products/loan types/programs are out there?

There are many different types of mortgage loan products available. Research and compare loan products by visiting several lenders for information. Shop around before you commit! Table 3 shows the major types of loans available today; there may be others not included here.

Table 3: Types of mortgages available in Connecticut in 2017

Mortgage Type	Fixed Rate	Adjustable Rate
Conventional	Interest rate fixed for the life of the loan	Interest rate varies sometimes as often as every year. No limit on the amount of interest rate adjustment
FHA (Federal Housing Administration)	Interest rate fixed for the life of the loan	Offered for low and middle income families; interest rates cannot increase more than 5% over the initial interest rate amount
CHFA Loan Products Conventional Loans: FHA Products: VA Products USDA Products *All of CHFA mortgages programs offer a below market interest rate.*	Fixed Rate Only	Not offered
VA (Veterans' Administration)	Interest rate fixed for the life of the loan	Not offered
USDA RDA (US Department of Agriculture Rural Development)	Interest rate fixed for the life of the loan	Not offered

Information on this chart is subject to change without notice, for updates and additional questions or informaiton contact the lender.

Down Payment Amount	Credit Score	PMI required?	Special Features
3.5% or more	Above 620 Bankruptcy and foreclosure in the past may be okay depending on when they occurred	Only if making down payment of less than 20%	Consult private lenders to get more information
Can be as low as 3.5%; There may be limits on the source of the down payment (gift vs. savings)	No minimum credit score but lenders may have minimum requirements	Mortgage insurance provided by the FHA for the life of the loan.	Usually available only for first time homebuyers; Loan limit based on geographic location. A borrower may not be allowed to have more than one FHA loan at a time. Contact a private lender to get more information.
Down payment available for all CHFA programs	CHFA has no requirement. Insurer or Investor guidelines will apply. Check with your mortgage professional.	Refer to program guidelines	First time homebuyer or have not owned a property in the past 3 years (first-time homebuyer status is not a requirment when purchasing in a Targeted Area). Income Limits and sales price limits may vary by town or city. Contact a CHFA approved lender to get more information. **www.chfa.org**
Can be as low as 0%	VA has no minimum credit score but lenders might have minimum requirements.	Mortgage insurance provided by the VA the life of the loan	Active duty military and veterans who are first or second-time borrowers as well as National Guard members. Spouses of military members who died while on active duty may also apply. Contact a private lender to get more information.
Can be as low as 0%	Flexible credit guidelines	No	Property must be in rural eligible location. Property cannot contain income producing commercial or farm buildings. Go to **www.rd.usda.gov** for more information

Loan features you might want to avoid

Adjustable rate mortgages—Adjustable rate mortgages have interest rates that may go up during the life of the mortgage. For example, some loans have an interest rate of 3.5% that is fixed for two years. In the third year, the interest rate goes up to 5% and in the fifth year, the interest goes up again to 8%. During the recent foreclosure crisis, many people lost their homes because while their initial mortgage payments were affordable, after two or three years their payments went up and they were no longer able to afford their payments. Check the **Loan Estimate (LE)** disclosure to see what it says about your monthly mortgage payments. If the Loan Estimate shows that your payments will increase over the years, you may want to look for a **fixed rate** mortgage where the payments are the same every year for the life of the loan.

Balloon payments—With most mortgages, a borrower pays off a loan by paying the same amount monthly for 30 years. Since each payment includes principal and interest, at the end of 30 years all of the principal has been paid along with all interest payments. However, some mortgages include balloon payments. At some point, usually after about 5–10 years, the borrower has to make a balloon payment that pays off all of the accumulated unpaid principal that is still owed.

During the recent foreclosure crisis, many homeowners were unaware that they owed a large balloon payment and were unable to afford it. As a result, their homes went into foreclosure. Check the **LE** to see what it says about your monthly mortgage payments. If it shows that you will owe a big payment after 5, 10 or even 30 years of paying your mortgage, this is a balloon payment. If you will owe a balloon payment, ask yourself if you will be able to pay that when it comes due and if you should start saving for that now. **Loans with balloon payments are risky because it is nearly impossible to predict how much money you will have in the future.**

Interest-only mortgages—As explained earlier, mortgage payments typically include payments on the principal of the loan, the interest that has accumulated, the taxes, and the insurance (PITI). However, some mortgage payments do not initially include principal in order to keep the monthly payments low. Eventually, the borrower will have to start paying on the principal or face a balloon payment.

Check the **LE** to see if you will owe a balloon payment at the end of the mortgage term. Interest-only mortgages may work for people who do not intend to own their homes for very long and are confident they will be able to sell it at or above what they paid for it, or plan to refinance their loan. **For most people, interest-only mortgages are not a good option** because they will still owe a large amount of money on their mortgage after making payments for many years, and will not build equity in the home until some of the principal has been paid down.

Negative-amortization loans—Unlike balloon payments and interest-only loans, negative amortization loans are structured in such a way that the monthly mortgage payment is not even enough to pay the monthly interest. As a result, unpaid interest is tacked on to the balance of the loan and may be due in the form of a balloon payment or in a drastically increased PITI payment 5 or 10 years down the road. **Negative amortizing loans are not for people who will stay in their homes for a long time with the hope of eventually paying off their mortgage. Seek advice from a housing counselor before getting a negative amortizing loan.**

"No doc" or stated income loans—No doc loans or stated income loans allows a borrower to get a mortgage without having to verify income or show a tax return. During the recent foreclosure crisis, some borrowers were given no doc loans they could not afford. **Unless you have special circumstances that prevent you verifying your income, it is best to stay away from these types of mortgages.**

Prepayment penalties—Some lenders charge borrowers an extra fee if the mortgage is paid off early. For example, if you decide to sell your house after 10 years, you will pay off the mortgage with the money you receive from the buyer. A lender could charge you a fee for paying your mortgage off early or refinancing it. If your mortgage has a prepayment penalty, it could cost more than you think. Check the **LE** to see if there is a prepayment penalty.

Other loan terms and types

Down payment assistance—CHFA and some non-profit lenders offer some assistance with down payments by giving a loan or a grant for some or all of the down payment. Typically, the down payment loan is a second mortgage on the property which is paid off when the owner sells the property. Contact a housing counselor about whether this type of assistance is right for you.

Reverse mortgage—This is a special type of mortgage that allows older homeowners to borrow against the equity in their homes. It is called a reverse mortgage because instead of making payments to the lender, the lender sends money to the homeowner every month. The amount the homeowner receives and the interest charged increases the amount you owe the lender. The loan is repaid after you or your heirs sell your home.

FAIR HOUSING TIP:

If you decide to get a reverse mortgage, check the terms of the loan very carefully. During the recent foreclosure crisis, many homeowners believed the lender would pay the real estate taxes or homeowners' insurance, but that didn't happen. Some homeowners are facing foreclosure over unpaid real estate taxes. Call the Center for help if this happens to you. (860) 263-0731

Refinancing—After you have bought your home and have lived in it for a while, you may want to refinance or take out a new mortgage. Homeowners sometimes refinance to take advantage of lower interest rates or pay for a big purchase like college or remodeling. Refinancing means you pay off your original loan and take out a new mortgage. Typically this means that you get a new mortgage. If you decide to refinance, you should go through all of the steps outlined in this Guide to decide if you can afford to refinance.

GENERAL TIP:

If you have a prepayment penalty, refinancing can be costly. A prepayment penalty is an extra fee paid by the borrower if a mortgage is paid off early. Check your closing documents or consult a housing counselor to see if your loan has a prepayment penalty.

What else should you know?

HUD housing counseling agencies—CHFA offers homebuyer education courses free-of-charge to prospective homebuyers and CHFA loan applicants in partnership with over ten CHFA/HUD-approved counseling agencies throughout the state. CHFA homebuyer courses provide instruction on the financial and practical steps of buying and maintaining a home.

You can find a list of HUD and state-certified housing counselors at: **www.chfa.org**.

Insurance

There are several types of insurance associated with buying a house. The first, **Mortgage Insurance**, was discussed earlier in this guide and is required by a lender when you have a down payment of less than 20% of the home's purchase price. Mortgage insurance may be private (PMI) in the case of a conventional loan, or it may be funded by a government agency, such as HUD or the VA.

Another type of insurance is called **hazard or homeowners' insurance**. This is insurance that can help you repair or rebuild your house in case of damage. The insurance should also include sufficient liability coverage in the event of an injury that occurs at the property. Evaluate any homeowners' insurance policy you are offered to be sure you can afford the deductible and to make sure that you will have enough to replace anything that is lost or damaged.

Title insurance is designed to insure your interest and your lender's interest in the property against adverse claims or, in some instances, property line disputes.

Finally, your lender may require you to obtain **flood insurance**. While flood insurance is frequently affordable, homes located in flood zones may have higher insurance rates and lower resale values.

GENERAL TIP:

If your lender wants to package insurance other than mortgage, hazard, title, or flood into your loan, you should seek the advice of a housing counselor before you do that. Including other insurance in your loan payment may make that payment unaffordable.

GENERAL TIP:

If your insurance payments are not included in your monthly mortgage payment AND you let your homeowners' insurance lapse, your lender may buy a homeowners' insurance policy and ask you to repay them. These policies are generally more expensive and offer less coverage than what you could obtain on your own. Be sure to keep your homeowners' insurance policy up to date.

FAIR HOUSING TIP:

Recently, the Center received complaints from landlords who could not get hazard insurance on their properties because they rented to people with housing choice vouchers. Other landlords reported having insurance premiums double or triple when they revealed they rented to people with housing choice vouchers. This is illegal! Call the Center if this happens to you: (888) 247-4401

Some homeowners' insurance policies only offer to pay the homeowner the "market value" of their home if it is destroyed. This may not cover the full cost of rebuilding your home. For example, if you bought a home in an area with low home prices but that has many expensive upgrades, the market value of your home may be lower than the cost of building a home with all of those features. If you cannot get an insurance policy that will pay you to replace your home, call the Center—we may be able to help.

If you are unable to buy insurance from a private insurance agent, you may be able to obtain insurance from the Connecticut FAIR Plan. You can find out more about the Connecticut FAIR Plan and apply for coverage at **http://www.ctfairplan.com/**.

There is more information about buying homeowners' insurance in the **Ready to Buy** section of this guide.

FAIR HOUSING TIP:

It is illegal for an insurance company to refuse to provide insurance because of your protected class (such as race, national origin, or sex), and it is illegal for an insurance company to refuse to give you a policy because you live in a neighborhood that has high numbers of people of color. If you think you have been denied insurance because of your protected class status or because of where you live, call the Center: (888) 247-4401

Property taxes

Property taxes are an important factor to consider when looking for a home. In Connecticut, each city and town sets its own property tax rate (called a **mill rate** because it is the amount of tax owed for every $1,000 of a home's assessed value) every year. Depending on the location and value of a home, the property taxes may be a major expense, and could even push an otherwise affordable home out of your budget. You will typically pay property taxes as part of your monthly mortgage payment. Keep in mind that the property tax amount will change over the years, and may increase over time.

If you are working with a real estate agent, he or she can provide you with MLS listings for specific homes that should include the most recent annual property taxes. However, if you are still early in the search process or want to verify that the amount on a listing is up-to-date, try these resources:

- The State of Connecticut's Office of Policy and Management website lists the current mill rate for every town and city in the state: **http://www.ct.gov/opm/cwp/view.asp?Q=385976**
- Most cities and towns' local Tax Assessor's offices have websites that include databases or lists of all the homes in town and their most recent **assessed values**. These local websites will also list whether there are any additional local property taxes, such as a fire district tax.
- You can also call local Tax Assessor's offices directly for help finding this information.
- The major real estate websites sometimes list the taxes paid in a recent year; however, be aware that the amount listed is often not current.

Assessed value vs. Market Value: The **assessed value** of a home is different from the home's **market value** (i.e., the fair asking price of the home). The assessed value is commonly 70% of the home's appraised market value, but may vary in some towns. **The amount of property taxes owed are calculated using the assessed value.**

Get out your calculator! To calculate the amount of property tax on a home, **multiply the assessed value by the mill rate, and divide that number by 1,000**. Here's an example:

Example: Home in West Hartford, CT

Step		
1.	**Find the Market Value/List Price**	**$200,000**
2.	**Calculate the assessed value (.70 x market value from step 1)**	**$140,000**
3.	**Find the Mill rate for your town (look on town website)**	**$39.41 per $1,000 of assessed value**
4.	**Calculate the yearly taxes (mill rate x assessed value divided by 1,000)**	**39.41 x 140,000 divided by 1,000 = $5,431.24**
5.	**Calculate the monthly taxes (yearly taxes from step 4 divided by 12 months)**	**$5,431.24 divided by 12 = $460.95 added to your monthly mortgage payment**

Some towns and cities have special tax exemptions or different ways of calculating property taxes — contact the local Tax Assessor's office for the most accurate information. Your real estate agent can also help you confirm tax information. However, it's helpful to know how to find it yourself, especially early in the process as you figure out how much you can afford.

Finding the right mortgage for you

Now that you know what you want to spend every month and you understand what kind of mortgages are available, it's time to find a lender. This section will walk you through the process of applying for a mortgage, the mortgage approval process, and the closing. Some of this information will also be reviewed later in the guide.

The most important advice about finding the right mortgage for you is to shop around. Visit or call at least three lenders to get information and find out what they can offer you. Compare loan products and decide which is best for you. Use the form in Table 4 to compare loan products and to decide on next steps.

Loan brokers—Loan brokers are similar to real estate agents. Instead of working for one single lender, they work with many lenders. They can be helpful because a broker can survey the loan market to find the best loan for you. However, loan brokers can charge additional fees over and above what a lender charges. For example, a lender can charge an origination fee (or an application fee) and the loan broker can charge additional origination fees. Sometimes these fees are paid by the lender, but sometimes the lender passes those costs onto the borrower. Check the **LE** to see what it says about the fees being charged to give you a loan.

Some real estate agents have loan brokers who work in their offices. It may seem convenient to go to the same office for someone to help you look for a home as well as to find a loan. Always shop around. This is the biggest purchase of your life, and you should visit at least three lenders or loan brokers before making a decision. Even if a loan broker offers to get you three quotes from different lenders, still shop around. You may be able to get a better deal by going directly to a lender.

Table 4: Loan Comparison

Loan Terms	Loan #1	Loan #2	Loan #3
Name and address of lender			
Name and phone number of loan officer			
Type of mortgage (conventional, FHA, VA)			
Loan amount			
Fixed rate or adjustable rate			
Loan term (number of years)			
Interest rate			
Points?			
Down payment			
Origination fee			
Application fee			
Other origination fees?			
PMI (yes or no)			
Credit score required			
Estimated closing costs			
Estimated time to close			

If you cannot fill out this form completely, go back to the loan officer and ask for the missing information. If you need more **Loan Comparison** forms, you can find them on page 83.

Qualifying for the mortgage—your income, assets, and credit

After you have shopped around and are ready to apply for a mortgage, you will need to gather paperwork for the loan officer. Use the following checklist to gather all of the documentation you need. Staying organized can make the loan process quicker and easier.

Table 5: Documentation Checklist

Check when you have this	Documentation Needed	Number of Years/Months
	W-2s or tax returns	Past 2 years
	Proof of receipt of Social Security, SSI, or other government benefits	Past 2 years
	Paystubs for everyone whose income will be included	Past 30 days
	Residential addresses	Last 2 years
	Names and addresses of employers	Last 2 years
	Bank statements for all checking, savings, mutual funds, retirement accounts, etc.	Last 3 months
	Names, addresses, account numbers, and monthly payments on all credit cards, car loans, student loans, personal loans, payday loans, other mortgages, and any other debts	All open accounts
	Addresses, annual taxes, and insurance for other mortgages	Last 2 years
	Rent checks	Last 12 months
	Landlord's full name, mailing address	Last 2 years
	Social Security Card	
	Certificate of Eligibility (VA)	
	If self-employed, tax returns and all schedules	Last 2 years
	Divorce Decree or separation agreement, if applicable	
	Sales contract or purchase agreement	
	Written explanation and documentation of student status (if it affected your income) within the last 2 years	
	Written explanation for any credit problems	
	Written explanation for any gaps in employment that lasted more than 30 days	

Refer back to the section of this guide called **How much can you afford?** to review how the lender will use this information to determine your eligibility for a mortgage. You can find more blank checklists on page 85.

Qualifying for a mortgage—the property

After you have given the loan officer all of the paperwork regarding your income, assets, and credit, she will also need information about the home you hope to buy (the next section, **Ready to Buy**, will help you learn more about searching for a home). Two major sources of information about the home are the appraisal and the inspection.

Appraisal—The goal of an appraisal is to determine the market value of your new home by comparing it to similar houses in your new neighborhood. If the price you and the seller agreed to is similar to the sale price of other homes recently sold in the neighborhood, the lender will be more likely to approve your loan. If you have agreed to pay considerably more for your home than the price similar houses (called comparables) have sold for recently, your loan application may be denied.

Once you are under contract to buy a home, your lender will hire an independent, professional home appraiser to visit and inspect the home you want to purchase, conduct research of the local real estate market, and use this information to provide an estimate of the home's actual value.

GENERAL TIP:

If the appraisal report shows that your home is worth less than what you agreed to pay, read closely. If the appraiser used homes that were sold months ago or used homes that are older than yours or in bad condition as comparisons, you can challenge the appraisal or get a new appraisal. Remember, if the appraisal says that the house is not worth what you agreed to pay, you will be denied a mortgage.

FAIR HOUSING TIP:

If the appraisal states that the home is not worth what you agreed to pay AND the report lists illegal reasons for the home's low value, this may be housing discrimination. Some illegal reasons for reducing the value of the home may be that it is in a neighborhood where many people of color live, it is located next to a public housing complex, or the neighborhood is tipping from majority White to majority Black or Latino. If this happens to you, you should call the Center.

Home Inspection—In addition to the appraisal, most lenders want a home inspection. A home inspection is also good for the buyer. The home inspection looks at the general condition of things like the foundation, siding, roof, plumbing and other components. You can also choose to have separate inspections for things like termites, lead, mold, radon or asbestos. If you choose to do additional inspections, make sure to set money aside for these costs.

Inspections will help you decide if you want to go through with the sale or renegotiate with the seller so that you can afford to repair or replace important items like the roof or the boiler.

Learn more about how to find a professional home inspector, negotiating based on inspection findings, and what else to expect from an inspection in the **From Offer to Closing: Step-by-Step** section of this guide.

FAIR HOUSING TIP:

If you have children, an owner cannot refuse to allow you to have a lead test performed on the property as part of your inspection—this is discrimination. Call the Center if this happens to you.

Qualifying for a mortgage—the paperwork

Before you are approved for a loan, you must jump through some more hoops: the paperwork!

Once the loan officer has gathered all of the information she needs, it's time for you to start signing papers. Read everything thoroughly before signing. Never sign anything if information is missing or wrong. For more information about the forms you will get as part of your mortgage application, and for an interactive feature that helps you evaluate this information, go to: **www.consumerfinance.gov/owning-a-home/loan-estimate/**

Your final mortgage documents will include:

Loan estimate (LE)

This is an initial estimate of the fees and charges you can expect to pay for your loan. It should include origination fees (sometimes called application fees) and other costs, like the cost of a home inspection or credit report, along with the amount you will pay at closing toward your first month's mortgage. For more information about closing costs, see the section below. Federal regulations require lenders to give notice of any changes to closing fees, so you may receive more than one **LE**. Be sure to read and compare all **LE**s to understand what is changing. Ask your loan officer why estimates of costs are changing.

Closing disclosure

This form includes information about the **Annual Percentage Rate (APR)** of your loan, the total amount of interest you will pay over the life of the loan, and the amount you can expect to pay monthly until the loan is fully repaid. This form should also include information about **pre-payment penalties**, whether your **insurance** and **taxes** are included in your mortgage payment, and whether the lender intends to sell your loan to someone else to collect the monthly payments.

Mortgage application

The mortgage application includes important information about your income, assets, and credit. You should not sign this during your first meeting with a lender because they have not gathered all of the required information. Even if you tell them your monthly income or bring them a pay stub, the loan officer should wait until she receives the information from your employer before filling in this information.

You will sign the mortgage application under the penalties of perjury. This means that you swear everything in the application is true to the best of your knowledge. If anything is wrong or inaccurate, ask the loan officer to change it before you sign. *And never sign a blank mortgage application.* Intentionally providing incorrect information on a mortgage application can lead to criminal charges.

GENERAL TIP:

Do not sign a mortgage application if anything on the application is wrong or inaccurate. One of the problems uncovered during the recent foreclosure crisis was that some loan officers were exaggerating borrowers' income. Even if you are told "this is how it's done," do not sign an application with information that is not true. It is better to walk away than to face foreclosure because you cannot afford your mortgage, or even worse, to face criminal charges.

Finally, the mortgage application will ask for your race, national origin, and gender. A federal law called the **Home Mortgage Disclosure Act (HMDA)** requires lenders to collect this information as a way of evaluating whether a lender is discriminating. This information is then reported to the federal government without disclosing any information that would lead to your identification. For example, a lender must disclose that 25 women, 15 men, 50 Whites,

24 Blacks, and 15 Latinos applied for mortgages in 2016, but does not disclose the names or addresses of any of those applying for mortgages. This information is used by organizations like the Connecticut Fair Housing Center to determine if a lender is discriminating by refusing to lend to people in the protected classes. Please fill out this information accurately!

What are closing costs? Who pays for them?

Once you are approved for a mortgage, you and the seller will agree on a date to finalize the sale called the **closing date**. At the closing, you will sign the mortgage documents, the deed, and many other documents. You will also have to pay closing costs. Closing costs are the costs you pay at the time you "close" on your home or sign the paperwork that transfers the ownership of the property to you. The amount of closing costs are typically between 2–5% of the total loan. The final amounts will be listed on a form called a **Closing Disclosure (CD)**.

GENERAL TIP:

Most closing costs are paid by the buyer. It is important to remember that you must pay both the *closing costs* and the *down payment* at the closing. Be sure to save enough to pay for both. There are times when the buyer asks the seller to pay closing costs and the seller agrees. Ask around and talk to your real estate agent or a housing counselor about situations where sellers pay for some closing costs as an incentive to the buyer.

The amounts to be paid are divided into sections based on who is paying the money and where that money is going. Closing costs include:

Money paid to the real estate agent:

Real estate sales commission—When buying a home, the seller usually pays for the sales commission or broker's fee because the real estate agent or broker works for the seller (although this amount was probably figured into their asking price). If you have a buyer's agent, she or he will usually split the commission with the seller's agent. Typically, the commission or broker's fee is 5% to 6% of the sales price.

Money paid to the lender by the buyer:

Origination or application fee—This is paid at the closing if it was not paid at the time you applied for your mortgage.

Points—Points are also known as discount points and are offered by lenders in exchange for a lower interest rate. A point is equal to 1% of your mortgage amount, and it is paid at closing. For example, if you decide to take out a mortgage for $100,000, one point would be equal to $1,000. A loan may have an interest rate of 4.5%, but if the borrower pays one point or $1,000, the interest rate is lowered to 4%. If you plan to stay in your home for a long time and keep the same mortgage, paying points may be worth it to save money over time. Consult a housing counselor to determine if paying points is right for you. **Bankrate.com** also has calculators that can help you decide if points make sense for you.

Credit report fee—This is the cost of getting a copy of your credit report. This will be collected at closing if it has not been collected already. Most credit reports are paid for at the time of application. In this case, the fee is listed as "paid outside closing" on the **Settlement Statement**.

Appraisal fee—If you did not pay the lender prior to the appraisal, this fee will be collected from the buyer at the closing. However, most appraisers want to be paid at the time the appraisal is done. In this case, the appraisal fee is listed as "paid outside closing" on the **Settlement Statement**.

Recording fees—These are state and local fees to record or file your loan and title documents with the Registrar of Deeds for your municipality. These are paid to the lawyer for the lender, who then gives that money to the Registrar.

Title examination fees—A title examination involves looking at the history of the title to the property to ensure that there are no liens on the property for taxes or other bills the seller did not pay. The fee is paid to the lender, who pays the company that conducts the title examination.

Title Insurance—Sometimes the title examination and the title insurance fees are combined under one line item. Title insurance is issued by a company to protect the lender in case it turns out that there are limits on the right of the previous owner to sell or own the property.

Document preparation charges—This is the amount charged to the lender's attorney to prepare all of the documents needed for closing.

Attorneys' fees—These are fees paid by the buyer to the lender's attorney. If you hire your own attorney to review documents and give you advice, you must pay your attorney separately.

Amounts paid at the closing for future costs in advance by the buyer

Taxes—Real estate property taxes are sometimes included in your monthly mortgage payment. When taxes are paid every month as part of the mortgage payment, this is called **escrow**. This means that you are paying a portion of your taxes every month even though real estate taxes are generally paid biannually or quarterly. At closing you will pay a prorated amount for the taxes due the month of the closing, plus one month's worth of taxes into escrow to be held by the mortgage company and paid when taxes are due to your town or city.

GENERAL TIP:

Check to be sure your real estate taxes are included in your mortgage payment. If they are not included in your mortgage payment, you will have to pay these separately. During the recent foreclosure crisis, many homeowners faced foreclosure because they thought their taxes were included in their mortgage payments when they were not.

Mortgage payment—At the closing, you pay a prorated portion of a mortgage payment for the month in which you close, plus the following month's mortgage payment. For example, if you close on October 15, you will pay about a half of a month's mortgage payment for October plus November's mortgage payment. Your regular monthly mortgage payments will begin in December.

Homeowners' Insurance—Most lenders require you to buy a homeowners' or hazard and liability insurance policy for a full year at the time you close. Unless you have paid for this insurance separately, you will pay for this at the closing. If you did buy insurance separately, you will need to bring proof that you have insurance for a full year to the closing.

Mortgage insurance premium—If you are required to get PMI (for conventional loans with down payments of less than 20%), you will pay a prorated portion of the mortgage insurance premium for the month in which you close and the following month's mortgage insurance premium. For example, if you close on October 15, you will pay about a half of a month's mortgage insurance premium for October plus November's mortgage insurance premium. Your regular monthly mortgage insurance premiums will begin in December. FHA loans presently require upfront Mortgage Insurance Premium (UFMIP) of 1.75% of the loan amount at closing.

Interest— At the closing, you will pay a prorated portion of mortgage interest for the month in which you close and the following month's interest payment. For example, if you close on October 15, you will pay about a half of a month's interest payment for October plus November's interest. Your regular monthly interest payments will begin in December.

Flood Insurance—The National Flood Insurance Program makes federally subsidized flood insurance available to homeowners living in special flood hazard areas. Connecticut has several special flood hazard areas. To determine if your home is in a flood hazard area, go to **http://msc.fema.gov/** and enter the address of the home you intend to buy. If your new home is in a flood zone or you decide you want to buy flood insurance, go to **www.floodsmart.gov** to learn more.

Ready to Buy

Prioritizing your needs

Now that you have your finances in order, it's time for the fun part: thinking about where you want to live and looking for your new home! Before you start looking at homes for sale, it will be helpful to ask yourself some questions:

What size house do I want?

What style of house do I want (Victorian, Ranch-style, modern, brownstone)?

Do I need a garage?

What type of house do I want to buy (condo, single-family, multi-family)?

Do I want a yard?

Do any of my friends or relatives live nearby?

Do I want to be close to work?

Is there a park nearby?

Where do I want to live?

Do I want to be close to a school with a good rating?

Do I want to be close to a convenience/grocery store?

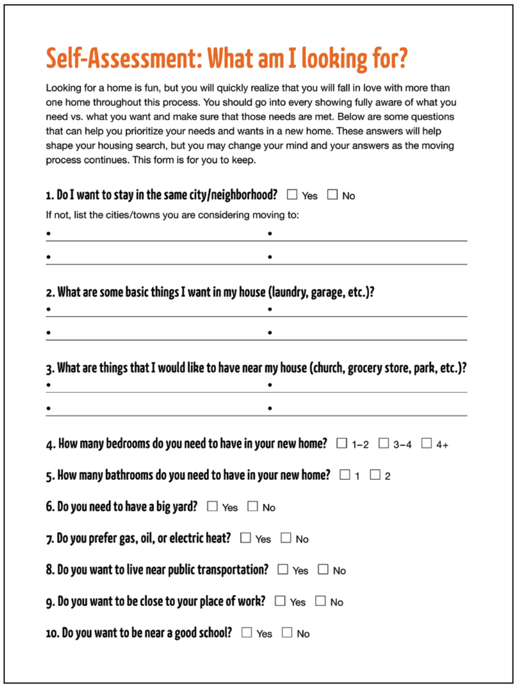
Do I want to be close to public transportation?

All of these questions are important, and the answers will be different for everyone. Maybe you already know exactly what you want, but if not, taking the time to consider these questions will help you to figure it out.

Did you know that the average first-time homebuyer will live in their homes for 11 years? While you may end up staying in your home for a longer or shorter period of time, it's safe to say that you will be there for a while. That's why it's so important to consider not only the type of home you want to buy now, but also a home and location where you will be comfortable for years to come.

Identifying and organizing your priorities

We have designed the **Self-Assessment: What Am I looking for?** tool to help you decide what your priorities are. Take a few moments to fill out the assessment in the back of this guide. Once you have done that, use the **From Dream to Reality: What do I want in a home?** checklist to organize your answers.



Self-Assessment: What am I looking for?

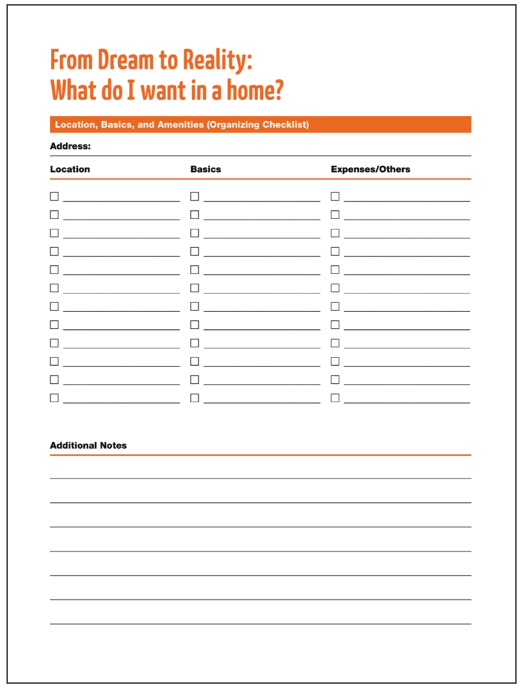
Looking for a home is fun, but you will quickly realize that you will fall in love with more than one home throughout this process. You should go into every showing fully aware of what you need vs. what you want and make sure that those needs are met. Below are some questions that can help you prioritize your needs and wants in a new home. These answers will help shape your housing search, but you may change your mind and your answers as the moving process continues. This form is for you to keep.

1. Do I want to stay in the same city/neighborhood? ☐ Yes ☐ No
If not, list the cities/towns you are considering moving to:
•
•
•
•

2. What are some basic things I want in my house (laundry, garage, etc.)?
•
•
•
•

3. What are things that I would like to have near my house (church, grocery store, park, etc.)?
•
•
•
•

4. How many bedrooms do you need to have in your new home? ☐ 1–2 ☐ 3–4 ☐ 4+
5. How many bathrooms do you need to have in your new home? ☐ 1 ☐ 2
6. Do you need to have a big yard? ☐ Yes ☐ No
7. Do you prefer gas, oil, or electric heat? ☐ Yes ☐ No
8. Do you want to live near public transportation? ☐ Yes ☐ No
9. Do you want to be close to your place of work? ☐ Yes ☐ No
10. Do you want to be near a good school? ☐ Yes ☐ No



From Dream to Reality: What do I want in a home?

Location, Basics, and Amenities (Organizing Checklist)

Address:

Location	Basics	Expenses/Others
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐

Additional Notes

The answers to your **self-assessment** should have helped you to narrow down the things that are most important to you in looking for a home and you should have put them in the checklist form shown above. When you look at a home, make sure you check all of the items that home meets.

Exploring places: how to learn about new neighborhoods and new towns

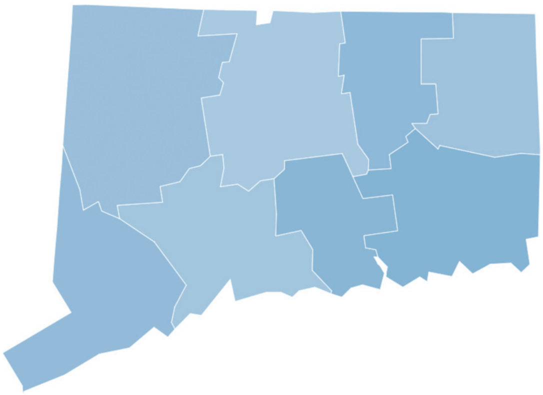
How do you decide WHERE to move? There are many reasons you might be considering moving to a new neighborhood, city or town, or even state. The self-assessment you took earlier helped you to identify and organize your priorities. It is important that you keep these priorities in mind to ensure you buy a home in a place that meets your needs.

First, decide if your current neighborhood or city meets all of the needs on your list. Does it? If the answer is yes, you may want to concentrate your home search in the area where you currently live. If the answer is no, you might want to explore new areas. You might already have a few places in mind. If not, where do you start?

Look back at your **Self-Assessment**. Now that you have determined what is most important to you, you can start to look for communities that match your needs. Here are additional questions you may have about the areas you choose to explore:

Do I feel safe and comfortable in the area? Does it have good public transportation?
Does it have good schools? **Is it walkable?**
What is the city like? ***Is it close to my job?***
Are there places where I could find work?
Are there restaurants/ entertainment nearby? *Are there parks or playgrounds to use?* Do I know anyone in the area?
Is there a church or temple I can go to?

How do you find the answers to these questions? You can do some online research, talk with friends, co-workers, and relatives who live in the area, and visit places to experience them for yourself.



Each city and town in the state of Connecticut has a website with basic information. You can find lists of all the cities and towns in the state, with links to local websites at these sites:
www.ctfairhousing.org/cities
http://portal.ct.gov

The Connecticut Economic Resource Center (CERC) also creates profiles for every town and city in the state. Each profile contains information about many aspects of life in the town, including demographics, economics, education, government, housing, employment, crime and safety, and other details. You can find all of the Connecticut town profiles at **www.cerc.com/TownProfiles.**

Other websites with information about Connecticut neighborhoods, towns, and cities:
www.city-data.com
www.bestplaces.net

To learn about a new place, compare websites, talk to neighbors, and make time to visit the area in person. If possible, visit during different times of day. If you drive to work, you may want to test out your potential commute to and from a certain town at rush hour times.

An important part of any home search is to think about the support system you will have to help you get adjusted to your new home. Support systems might include friends and family, churches or other religious organizations, neighborhood associations, or community centers. Think about what has helped you to feel comfortable in other places you have lived. Do the new places you are considering have some of those same qualities?

There is a lot of information available, and it can be easy to get overwhelmed. Stay focused throughout your search by revisiting your **Self-Assessment**, **From Dream to Reality Checklist**, and your **Budget** to ensure that your new home will have what's most important to you.

Searching for a home

Now that you know which neighborhoods, towns, or cities you might want to live in, it's time to start looking for your new home!

What research can you do on your own?

The internet is full of resources to help you during your home search. There are many online real estate websites where you can search for homes by location, type of home, price range, size, number of bedrooms and bathrooms, and many other factors. A few of the most popular real estate websites include:
Realtor.com
Zillow.com
Trulia.com

In addition to showing you homes for sale that meet your search criteria, these sites can also provide you with other helpful information as you consider each home, such as:

- Maps showing exactly where the home is located in relation to schools, highways, shopping areas, and other amenities
- Estimated commute times and availability of public transportation

- Schools assigned to the neighborhood(s)*
- Price history of the home, sometimes including how long the home has been for sale, whether the current owner has changed their asking price over time, and how many times the home has changed owners in recent years
- Comparable homes for sale or recently sold in the area – this can give you a general idea of whether the asking price for a home may be too high, too low, or fair for the area**
- Status/Availability of the home—"Pending" and "Active Contingent" indicates that someone has made an offer on the home, but they may still be showing it to other buyers in case the sale falls through. (A real estate agent can find out exactly what's happening).

Each website provides slightly different information. If you find a listing you like, try looking it up on another real estate website—you might find additional photos of the home, more recent tax information, and other details not included on the other website.

If you are already working with a real estate agent (see the next section), you can send them online listings you like so that they can find out more details and set up a showing of the home for you. If you are just starting the search, becoming familiar with home listings will help you start to narrow down what you're looking for and understand what is available in your price range.

GENERAL TIP:

Some home search websites have built-in "mortgage payment calculators" that automatically show an estimated monthly payment for each home you view on their website. While these can be a helpful, keep in mind that your specific type of mortgage, interest rate, and the amount of your down payment, property taxes and homeowners' insurance will have a big impact on the amount you pay each month. The estimate on the calculator might be very different from what you'll actually pay. See the "Let's Talk Money" section of this guide for help determining your actual expenses.

**Some cities and towns participate in magnet school programs that offer options in addition to the neighborhood schools.*

***Be aware that home search websites may not have the most up-to-date information about comparable homes—use this information only to get a general idea of prices as you start your search. Accurate comparables can be obtained from your real estate agent or local tax records.*

Working with a real estate agent

While it is not required that you work with a real estate agent (called a Realtor® if the agent is a member of the National Association of Realtors) when buying a home, it is strongly recommended. Buying a home is a complicated process (even with the help of this guide!), and an experienced professional can help guide you through the many steps along the way.

Who does a real estate agent represent?

- A **buyer's agent** represents the interest of the homebuyer in a real estate transaction.
- A **seller's agent**, or **listing agent**, represents the interests of the seller in a real estate transaction.

Many real estate agents can serve in both roles depending on the situation. A potential conflict of interest only arises when one of the agent's clients wants to buy a home from another client, putting the same real estate agent in the position of both buyer's agent and listing agent for the same transaction.

Role of a buyer's agent:

- Help you search for homes that fit your needs, preferences, and price range
- Provide more details about homes you've found on your own (such as up-to-date tax information, disclosures provided by the owner, and the amount it last sold for)
- Schedule and accompany you to showings of homes
- Research similar homes sold recently in the neighborhood to help you evaluate the asking price and determine how much the home is really worth
- Prepare and submit written offers on home(s) you want to purchase
- Negotiate the price and other details of the sale
- Provide experience and knowledge to inform you throughout the home buying process
- Refer you to potential mortgage lenders, home inspectors, real estate attorneys, and other professionals involved in the process, if needed.

Do you pay a real estate agent?

Both buyers' and sellers' agents are paid on commission, meaning that they receive a percentage of the final home purchase price—usually between 5–7%—as payment for their services. *The seller—not the buyer—is usually responsible for paying this commission* out of the proceeds of the sale, and the two agents usually split the total commission. This is usually true even for lender-owned properties or "**short sales**"—the lender or company that owns the home will typically pay for the commission. You should not have to pay a real estate agent any upfront fees for their services.

How do you find a real estate agent?

Ask for recommendations from friends or family, check online listings to see which agents are working in the area(s) you're considering, and consider interviewing 3 or 4 agents before making a choice. Other factors to consider:

- Be sure they are licensed to sell real estate in the state of Connecticut. Your cousin who is a real estate agent in Maine might be a great source of advice, but she may not know all the real estate laws and regulations in Connecticut.

- It can be helpful to work with a real estate agent who is familiar with the local area(s) you're considering.

- It's very important to feel comfortable with your real estate agent. Of course, he or she should not pressure you to look at homes out of your price range, buy a home you aren't sure about, or make a higher offer than you feel comfortable with. Beyond that, you will likely be working together for several months on a very important, personal step in your life, so it's critical to feel comfortable sharing your opinions and discussing difficult choices with your agent.

- Some real estate agents will ask you to sign a **Buyers' Agency Agreement** promising that you will work only with them and not with other real estate agents. The agreement may also put in writing what is expected of your real estate agent during your time working together. This type of agreement serves to protect both you and the agent, who will be investing a lot of time working with you before getting paid. Read carefully before signing. *In Connecticut, you do not have to sign an agreement committing to working exclusively with one real estate agent.* If you do sign an agreement, consider making it for a limited amount of time. If you are happy with your agent's service at the end of that time period, you can always continue working with them, but if you are not, you will be free to find a new agent.

Your Fair Housing Rights when working with a real estate agent

You have the right to expect that homes for sale will be made available to you without discrimination or other limitations because of who you are. This includes the right to expect the following when working with a real estate agent:

- Housing in your stated price range made available to you without discrimination
- Equal, professional service
- The opportunity to consider a broad range of housing choices
- No discriminatory limitations on communities or locations of housing
- Non-discriminatory terms and conditions
- To be free from harassment or intimidation for exercising your fair housing rights.

You can refer back to the **Learning Your Fair Housing Rights** section for a list of the specific characteristics that are protected from discrimination in Connecticut, examples of discrimination, and additional tips.

An agent cannot discriminate even if their client (such as the home seller) asks them to do so.

Real estate agent not answering your questions?

It could be time to find a new one—but first, understand that there is some information that a real estate agent cannot provide for you because it may violate fair housing laws. Examples of questions that a real estate agent can't help with:

- "Could you show us houses in neighborhoods where there are many Jewish families?"
- "Which of these towns has the best school district?"
- "Is that neighborhood dangerous?"

These may be important concerns for you when deciding where to buy a home. However, because giving you advice about these factors may have the effect of steering you towards or away from certain areas or groups of people, it may violate the fair housing laws. Besides, while a real estate agent is an expert at the home-buying process and the real estate market in your area, he or she is probably not an expert at evaluating and comparing school quality, crime levels, and other considerations.

That's why it's so important to do your own research on schools, safety, local religious and community life, and other factors on your own by visiting the area, using the internet and talking with people who live there. Once you've narrowed down exactly where you want to look, you can share that information with your real estate agent.

When it comes to sharing your wants and needs with your real estate agent, stick to straightforward search parameters, such as:

- Homes in a given price range
- Homes of a certain size, style, number of bedrooms or bathrooms
- Homes with certain amenities (i.e., fenced-in backyard)
- Homes within specific towns, zip codes or clearly defined neighborhoods (i.e., "the area between Route 17 and Route 79" or "in Manchester, south of Route 84")
- Homes of a certain type or style (i.e., ranch or colonial; single-family house vs. condominium)

With this information in hand, your real estate agent can effectively help you to find homes that meet your needs. And of course, searching is a two-way street—we encourage you to search home listings online and send ones you like to your agent.

For more about working with a real estate agent, visit the CT Department of Consumer Protection's website: **http://www.ct.gov/dcp/cwp/view.asp?q=423310**

Types of homes

There are many different homes on the market, including single-family houses, multi-family houses, condominiums, and manufactured or mobile homes. Each type of home has different “pros and cons” to consider. This chart lists some of the similarities and differences between types of homes:

Home Type	Description	Repairs and Maintenance	Typical Expenses
Single-Family House	Stand-alone house occupied by 1 household. Within local and state zoning and housing laws, homeowner can use/modify property as desired.	Homeowner responsible for all repairs, maintenance, and services inside and outside the home.	• Mortgage and Utilities • Property Taxes • Hazard Insurance • PMI (if applicable) • Repair, Maintenance, Snow and Trash Removal Costs
Multi-Family House	House/building containing more than 1 unit. Owner is the landlord and collects rent from tenant(s), which offsets the owner’s mortgage and expenses.	All of the above, including repairs within tenants’ unit(s).	• Mortgage and Utilities • Property Taxes • Hazard Insurance — additional coverage for rented units • PMI (if applicable) • Repair and Maintenance Costs • Tenant screening, leasing, and eviction costs
Condominiums or Co-ops	Located in a community of individually-owned units where residents have joint ownership and management of common areas, utilities, amenities and grounds. Can be attached (or in the same building) or detached. May have community rules regarding external appearance of home, use of common areas and facilities.	Homeowner responsible for repairs and maintenance *inside* condo or co-op unit, but not for *exterior* structures (i.e., foundation, roof), common areas or grounds (i.e., lawns or courtyards). Some utilities (such as water) typically included in HOA fees.	• Mortgage and Utilities • Property Taxes • Hazard Insurance • PMI (if applicable) • Monthly Homeowners’ Association (HOA) fees • Repair and maintenance costs *inside the condo or co-op unit* • Occasional special assessments for major repairs or improvements to common areas like roofs or pools.
Manufactured Homes (also called Modular, Prefab, Trailer, or Mobile Homes)	Stand-alone homes that can be located in communities of manufactured homes or built on land owned by homeowner. If located in a community, often involves separately buying home and leasing the land it stands on. May have community rules regarding external appearance of home, use of common areas and facilities.	*If located in a community of other manufactured homes and/or on leased land,* Homeowners’ Association (HOA) fees cover trash removal, snow removal / road maintenance, some utilities. Repairs to home are homeowner’s responsibility. *If located on land owned by homeowner,* homeowner is responsible for all repairs, maintenance, and expenses.	• Mortgage and Utilities • Property Taxes • Hazard Insurance • PMI (if applicable) • *If located in a community and/or on leased land:* Monthly land lease cost, HOA fees, repairs inside home • *If homeowner owns land:* all repair and maintenance costs. • Can qualify for traditional mortgage if permanently affixed to the land and if owner also owns the land it stands on; may not be eligible if these conditions not met. FHA loans may be an option.

FAIR HOUSING TIP:

Homeowners, Condo, Co-op, and Neighborhood Associations cannot discriminate against potential buyers or impose rules/regulations that violate fair housing laws. For example, if the condo community has a pool that is not available to children or has restricted hours for families, it could be in violation of the Fair Housing Act.

FAIR HOUSING TIP:

If you are considering buying a multi-family house and becoming a landlord, be aware that you must follow the fair housing laws. You will receive an information sheet about your fair housing responsibilities at your home closing. As a multi-family homeowner, you are also protected by the fair housing laws. For example, an insurance company cannot refuse to insure your property because you plan to rent to tenants who have housing vouchers. Please visit www.ctfairhousing.org for information about the laws.

Non-traditional home sales

Short sales

A **short sale** happens when a home is being sold for less than what the seller owes the lender on their mortgage. In a short sale, the owner of the home is still involved in the process, but their lender also has a say in how much the home can be sold for and other terms of the sale. Short sales often take longer to close than traditional sales, and you may not be able to negotiate as much as you would in a standard home purchase. Often, short sales are offered "as-is," meaning that the seller is not willing to perform any repairs to the property.

Foreclosures or Real Estate Owned (REO) homes

Foreclosures occur when an owner falls behind on their mortgage payments over a period of time and is unable to resolve the situation with their mortgage lender. As a result, the lender repossesses the home and lists it for sale to try to recover their losses. In this situation, you will be negotiating with and purchasing the home directly from the lender. Sometimes, foreclosed homes are sold at public auctions to the highest bidder; other times, the lender hires a listing agent to market and sell the home for them. Similar to a short sale, the process of buying a foreclosed home can also take longer than a traditional sale, and these homes are often sold "as-is," meaning that the seller will not perform any repairs.

For sale by owner

This means just what it sounds like—the current homeowner is selling the home on their own, without a listing agent. Often, this is because the homeowner wants to avoid paying a commission to a real estate agent to maximize their proceeds from the sale. What this means for you depends upon the particular seller and their experience with real estate, and it may present some unique challenges. For example, in a typical sale, the listing agent arranges for an escrow account to hold the "earnest money" or deposit you provide when your offer is accepted; this will need to be managed differently with an owner selling their own home. The seller may also want to negotiate the amount of commission they will pay to your real estate agent. There are other factors to consider; consult your real estate agent.

FAIR HOUSING TIP:

Homeowners selling their own homes without the use of a real estate agent are exempt from most of the fair housing laws. This means that they could legally decide not to sell their home to you for discriminatory reasons. However, there are some exceptions: race discrimination is illegal in all situations, and it is illegal for owners to use discriminatory language in a real estate advertisement. If an owner owns more than three single-family homes in a 12-month period, they lose their exemption. If an owner uses a real estate agent, they lose their exemption.

Rent-to-own leases and contracts for deeds

Rent-to-own and contract for deed homes are marketed as a way for people with lower incomes or poor credit to eventually purchase homes. However, the laws and protections in these kinds of transactions are often murky, making most of these homes risky for homebuyers. You may be required to invest money in repairs or maintenance before you actually own the home, typically do not build equity in the same way you would after a standard home purchase, and if you fall behind on payments or have other difficulties, you will not have the same kinds of protections as traditional homebuyers.

Working with a real estate agent and real estate attorney who are experienced in dealing with these special types of home sales will be important to protecting your best interests.

Making an offer

You've spent months searching, and you've finally found a home that has most of the qualities you need in the area where you want to live. The next step is to make an offer!

How much should you offer?

Figuring out how much to offer on a home depends on many different factors. Here are some of the major steps that will help you determine a good starting offer:

- **Review the "Comps"**—These are comparable homes for sale in the area or homes that sold within the last six months. Home values can vary a lot from town to town and neighborhood to neighborhood, so a fair price in one area might be too high in another. Your real estate agent will find this information for you and help you evaluate it.
- **Consider the Home's Condition**—When you saw the home, did you notice any obvious repairs or issues? You'll have a chance to learn more about these during a home inspection, but if there are some issues you already know about, you might want to offer less than asking price for the home. Keep in mind that the seller likely already considered these issues when setting their asking price.
- **Competition**—Are homes in the area being sold very quickly? Are there other offers on the home? More competition might mean that the seller is less likely to negotiate the asking price. However, you shouldn't let competition pressure you into making an offer that is higher than you can afford.

What else is part of an offer?

Typically, an offer will list an initial **deposit** amount (also called "earnest money") to demonstrate your commitment to buy the property, and list the amount you expect to use as a down payment. In addition, you may also write in other conditions as part of your total offer. For example, you might request that appliances or furnishings (such as lawn furniture) be included in the sale price.

The offer will also propose a **date of possession**, or the day by which the seller will have removed all of their belongings and you will officially be able to move into the home. This date can be changed during negotiations with the seller.

Contingencies are clauses written into an offer (and later into the purchase and sale agreement) to protect you from issues that may come up later in the process; they make your offer dependent or contingent upon other important things happening as planned. The two most common types of contingencies are financing contingencies and inspection contingencies:

- A **financing contingency** clause states that your offer is contingent upon you securing mortgage financing by a certain date. While you have likely already secured a pre-qualification or pre-approval from a lender, it is not final until you have formally completed your mortgage application for this specific home.
- An **inspection contingency** clause gives the buyer the right to have the home inspected by a specific date (typically 7–10 days after the date the offer is accepted) and to cancel or negotiate the agreement if the inspection uncovers unexpected problems with the home.

Negotiating the deal

Sometimes, a seller will accept your first offer. They might also make a counter-offer for a higher price or different terms (such as accepting your offer price but not including the appliances, or offering to pay some closing costs in exchange for a higher price). They may also reject your offer altogether. At that point, you can decide to walk away from the home or make another offer. Your real estate agent should consult with you during each step of this process and provide advice about strategy. Ultimately, the responsibility is yours to decide what you think is a fair deal for the home. It is very common to go back and forth a few times before you reach an agreement.

You're under contract!

When your offer (or counter-offer) is accepted by the seller, you are officially **under contract** and bound to the terms laid out in your written offer, which is now your **purchase and sale agreement**.

From Offer to Closing: Step By Step

Congratulations! You're one giant step closer to being a homeowner. But there are still several steps between now and the day you'll have the keys in your hand. Now is a good time to go back to the **Let's Talk Money** section of this guide to review the mortgage application process and the documents you will see during this time.

It takes an average of four to six weeks between having your offer accepted and officially "closing" on your new home. Here is a rough timeline of what you can expect:

Weeks 1–2

Inspections

Schedule a **home inspection** as soon as possible. In addition to being required by most lenders, an inspection will ensure that you understand exactly what you are purchasing and identify hidden issues or needed repairs that could send you back to the negotiating table or even cause you to walk away from the deal. Even if you are purchasing a home "as-is," it's smart to know exactly what you're getting yourself into. A relatively small cost now—typically $300 to $400—could save you thousands later.

You can find a reputable home inspector by asking your real estate agent, friends, or relatives for references. Your real estate agent will help to coordinate the date and time of the inspection between you, the inspector, and the seller. The inspector should have a contract for you to review that explains the scope of the inspection, the cost of the services, and what *cannot* be determined through the inspection.

Depending on the size and condition of the home, a home inspection can take two to three hours to complete. You should plan to be there for the entire inspection so that you can see what the inspector is seeing, ask questions, and so that he or she can explain any issues to you in person.

In addition to a standard inspection, you may want to order tests for water quality, radon, mold, lead paint, or additional professional inspections, such as for chimneys, pest issues, and septic systems. Sometimes, the home inspector may recommend getting another professional opinion based on their initial findings.

FAIR HOUSING TIP:

If you have children, an owner cannot refuse to allow you to have a lead test done on the property —this is discrimination. Call the Center if this happens to you: (888) 247-4401.

Within a few days, you will receive a written inspection report. The report will be comprehensive and will list the inspector's findings in all major systems and structures of the home, such as the foundation, exterior (siding, patios, and balconies), roof, electrical system, plumbing, heating and cooling system, insulation, basement, walls, floors, and other areas of the home.

If repairs are needed, you may want to get professional quotes for the repair costs so that you'll know exactly what is needed and can renegotiate with the seller.

Due diligence

Due diligence means finding out all the important facts about the property before the sale is finalized. Depending on the wording of your purchase agreement, it may be best to perform some of these tasks even before submitting your first offer. Generally, however, a contingency clause in your agreement will protect you during a set time period if your research turns up any issues not disclosed by the seller.

Due diligence can include:

- Contacting the town or city to obtain official property maps and verify property lines
- Determining if the home is located within a flood zone
- Checking for proximity of the home to places you might find troublesome, such as a landfill, waste water treatment facility, or airport
- Checking local zoning regulations to ensure that any plans you have for the property will be allowed (for example, there may be local rules about how far away your new backyard chicken coop must be from the neighbor's house)
- If buying a condo or home in a homeowners' association, carefully reviewing the association's rules, regulations, and fees.

Contact your loan officer

Meanwhile, gather your important financial records (see **Let's Talk Money** section) and **contact the loan officer** at your mortgage lender to inform them that you are under contract. Exactly what comes next depends on how much information you have already provided to the lender, but during this time you will generally be asked to provide documentation to verify your income, assets, and down payment, even if you already provided some of this information earlier.

You may want to wait to formally continue your mortgage application process until you have the results of your home inspection—consider asking your loan officer what will happen if you renegotiate the deal or decide to cancel the agreement as a result of the inspection.

GENERAL TIP:

Remember, now is *not* a good time to apply for a new credit card or any other loan (such as an auto loan). Limit use of your current credit cards as much as possible and pay all of your bills on time. Changes to your credit during this time could lead to changes in the mortgage interest rate offered, delays in processing your mortgage application, and other issues.

Weeks 2–3

Back to the negotiating table?

Inspection report in hand, discuss the findings with your real estate agent. When a home inspector finds problems during an inspection, you have several options if you have included an inspection contingency clause in your purchase agreement:

1. Do nothing. If the problems found were minor (i.e., chipped paint; broken shelf) and you still feel that the price you agreed upon is fair, it might not be worth negotiating.

2. Renegotiate the price or other terms of the sale. If you know how much the repairs needed will cost, you can ask the seller to take all or a portion of that amount off the purchase price or credit you a certain amount at the closing. You can then use the money saved to have the repairs done yourself after the sale is final.

3. Ask the seller to perform repairs or replace items. If the repairs needed are not major and are straightforward, you could ask the seller to have them done by a certain date. This saves you the hassle of having to do repairs soon after moving into your new home. However, this can be risky because you will be relying on the seller to choose a reputable repair person and have the repairs done at a quality that will be acceptable to you. This could lead to conflict later in the process.

4. Walk away from the home. If the inspection finds more serious problems than you want to deal with, or if the seller refuses to negotiate further, you may choose to cancel the purchase agreement and keep searching for your new home (but you must cancel before the contingency deadline in your original agreement).

If you have entered into an "as-is" purchase agreement, it likely still included an inspection contingency. While you cannot renegotiate the price or ask for repairs in this situation, you may still be able to cancel your agreement and walk away from the home if the needed repairs are more than you expected.

Complete your full mortgage application

During this time, you will continue providing documentation to the lender upon request. Lenders may ask you for further explanation about your finances, such as recent major deposits or withdrawals. It can be stressful to answer these personal questions, but try to remember that everyone has to answer these questions and that lenders are just trying to get a full picture of your ability to repay your mortgage loan.

If a family member is helping you with some of your down payment, you will likely be asked to provide a **gift letter** that states that their gift is for the purpose of a down payment and that they do not expect you to repay them. Refer back to the **Let's Talk Money** section of this guide for full details about the mortgage application process.

After all inspections and negotiations are complete, you will **submit the final purchase and sale agreement to your lender**.

FAIR HOUSING TIP:

Fair housing laws prohibit mortgage lenders from imposing different rules or conditions on borrowers because they are a member of one of the protected classes.

Get quotes for homeowners' insurance

Before your mortgage can be approved, you will need to show proof that you have **hazard insurance** (also called homeowners' insurance). Hazard insurance protects you against major damages to your home and liability in case someone is injured on your property. However, there are some situations that standard hazard insurance will not cover. Read policies carefully and ask questions to ensure that you understand exactly how you are protected.

Your lender should provide you with information about the minimum amount of hazard and liability insurance coverage you must purchase in order to get your mortgage approved. However, you may choose to purchase more coverage than the minimum necessary, or choose a higher or lower deductible (the amount you will have to pay for damages out of pocket before insurance kicks in), to balance your financial risk with the cost of insurance.

If the home you want to purchase is in a flood zone, your mortgage company will require you to purchase separate flood insurance (flooding is one of the major events not typically covered under a standard homeowner's insurance policy). Even if the home is not within a flood zone, you may still choose to purchase this insurance if you feel there is any risk of flooding in the area. The government has a helpful website with more information about determining your flood risk and purchasing flood insurance: **www.floodsmart.gov**.

FAIR HOUSING TIP:

It is illegal for an insurance company to refuse to write an insurance policy because of your protected class status (such as race, national origin, or sex) and it is illegal for an insurance company to refuse to give you a policy because you live in a neighborhood that has high numbers of people of color. If you think you have been denied insurance because of your protected class status or because of where you live, call the Center: (888) 247-4401

You can get quotes from multiple insurance companies to compare prices for different coverage amounts. Most insurance companies allow you to get quotes on their websites. The cost of your policy will depend on the size and value of the home as well as its location. Once you have selected a policy to purchase, your insurance company can either coordinate with your mortgage lender to have the insurance premium included in your monthly mortgage payments, or you can choose to pay the insurance company separately.

FAIR HOUSING TIP:

Recently, the Center received complaints from landlords who could not get hazard insurance on their properties because they rented to people with housing choice vouchers. Other landlords reported having insurance premiums double or triple when they revealed they rented to people with housing choice vouchers. This is illegal! Call the Center if this happens to you: (888) 247-4401

Consider hiring a real estate attorney

While your lender may have their own attorney handle the closing process, you may choose to hire a lawyer with expertise in real estate law to represent your own interests at the closing of the home. He or she will review all of the documents at the closing and ensure that you understand what you are signing. In Connecticut, you are not required to hire a real estate attorney. However, you should discuss whether to do so with your real estate agent. If the purchase is complicated, such as a short sale or lender-owned property, a "for sale by owner" situation, or the home is located in a flood zone or has other issues, you may want to strongly consider hiring an independent attorney that is referred to you by someone other than the seller or any of the real estate agents involved and make sure they have a malpractice policy.

If you do decide to hire an attorney, now is the time to start looking for one to ensure that they can be available on the day of your closing.

Weeks 3–4

Home appraisal

If they have not already done so by this point, the lender will order an appraisal of the property. The appraisal can take anywhere from a few days to a week or two. If the appraisal comes in much lower than the price you agreed to pay, the lender will probably not approve your mortgage (and you probably wouldn't want to buy a home for more than it's worth, anyway!). This is one reason why it's suggested to include a financing contingency in your purchase and sale agreement.

Read the appraisal report closely. If the appraiser used homes that were sold months ago or used homes that are older than yours or in bad condition, you can challenge the appraisal or get a new appraisal.

FAIR HOUSING TIP:

If the appraisal states that the home is not worth what you agreed to pay AND the report lists illegal reasons for the home's low value, this may be housing discrimination. Some illegal reasons for reducing the value of the home may be that it is in a neighborhood where many people of color live, it is next to public housing, or the neighborhood is tipping from majority White to majority Black or Latino. If this happens to you, call the Center.

The **Title Search** is another service ordered by the lender. The title search verifies that the seller of the home legally owns the property and has the right to sell it to you, free and clear. The title company will search for any outstanding mortgages, liens, unpaid taxes, or other issues or restrictions associated with the property. Sometimes, this process includes a survey to verify property boundaries, ensure there are no encroachments on the property by neighbors, and check that no part of your home or outbuildings are encroaching on neighbors' property, which could impact your ownership claim later on.

If any issues are found, depending on what it is, you and the seller may be able to resolve the issue, or your lender may decide they cannot approve the mortgage. In that case, your financing contingency clause protects you from any obligation to buy the home.

Weeks 4–5

You should have received the **appraisal report** by now; it may be required to finalize and purchase your homeowners' insurance policy if you have not already done so.

The lender will likely verify your employment status one last time (to ensure you haven't lost your job in the last few weeks), and may ask you to submit your most recent paystub for the same reason.

Finally, your loan officer will send you some final paperwork to read and sign, including the **Loan Estimate**. Please refer back to the **Let's Talk Money** section of this Guide for full details about this form.

Once everything has been signed and submitted, your loan officer will submit your full application to the lender's underwriting department to review everything and—hopefully—approve your mortgage!

Weeks 5–6

“**Clear to Close**” are the words you’re waiting to hear from your loan officer. When the lender’s underwriting department has officially approved your application, they will issue a “clear to close,” which means that you can now schedule your closing—the day you’ll get the keys to your new home!

Next, your real estate agent, the listing agent, the lender’s attorney and/or settlement agent, and your attorney (if you hired one) will coordinate to **schedule a date and time for your official closing** that works for all parties involved. The closing usually takes place at your attorney’s office or the office of the attorney hired by your lender.

In your final disclosure documents, your lender should have clearly indicated exactly **how much money you will owe at the home closing**. Many lenders will provide you with bank account information to arrange a wire transfer of the funds directly from your account, so you do not need to bring a check to the closing. Sometimes, however, you will be asked to obtain a certified or cashier’s check for your down payment and other closing costs. Your lender or the settlement agent will let you know exactly what is expected.

Your real estate agent will help you schedule a **final walkthrough** of the home prior to the closing (usually within 24 hours of the scheduled closing). This is your final chance to verify that the property is still in the same condition as it was when you agreed to purchase it. Usually, the walkthrough goes smoothly. But if you find anything wrong with the home—new damage that was not there before—your real estate agent can help you address it before the sale is final.

The Closing

You made it! By the end of the day, you will officially be a homeowner. The final step is attending the settlement and closing, usually at your attorney’s or your lender’s attorney’s office. The closing may take a couple of hours, so be sure to schedule enough time. Taking a half-day or full day off from work is recommended.

It’s a good idea to bring any documents you received during the mortgage application process (such as a copy of your purchase and sale agreement, **Loan Estimate**, and proof of homeowners insurance), along with your official ID. You may want to refer to these documents to confirm that there are no discrepancies or mistakes on the paperwork you sign at the closing.

You and the seller will each review and sign all the final paperwork required to transfer ownership of the property to you and complete the sale. This will include:

- The **Closing Disclosure** detailing all costs related to the home sale
- Mortgage note, which states your promise to repay the loan
- Mortgage or deed of trust, which secures the mortgage note

For examples of these documents and an explanation of what you will pay today, look back at the **Let's Talk Money** section. The lender's settlement agent or title company representative will have obtained checks to pay the seller (if applicable), the seller's mortgage lender (if any), and the real estate agents (who will be sharing the commission from the sale).

After all documents have been signed, the big moment will finally arrive. You'll receive the keys to your new home!

Congratulations, Homeowner!

Take some time to celebrate this milestone. Good luck in your new home!

Here are some tips for making the transition go smoothly:

- Save, organize and file all the documentation you have received throughout this process, including your mortgage papers, insurance policy, repair quotes, and inspection report.
- Remember to switch over or close all utility accounts and ensure that your final bills are forwarded to your new address (or pay them online).
- Fill out a change of address form with the U.S. Post Office to have your mail forwarded to your new address. Update your address information with your bank and other important accounts.
- Update your voter registration and motor vehicle records.
- Understand that immediately after you buy a home, your credit score may go down. This is because your debt level has significantly increased. As you make on-time mortgage payments over the next several months, your credit score will recover. But now may not be the best time to apply for a new car loan!

What more should you know?

What is a reasonable accommodation?

A **reasonable accommodation** is a change in a rule or policy to help a person with a disability buy or live in a home or obtain a mortgage.

When you think of a disability, you might be thinking of a physical limitation such as being in a wheelchair or blindness. However, there are many different types of disabilities, including physical, emotional, and mental. All of them are protected under the Fair Housing Act. Just because your disability is not visible or easily noticed by other people does not mean that your rights should be denied. Condominium and homeowner associations and co-ops are required to make reasonable accommodations in the same way that real estate agents are required to make reasonable accommodations.

FAIR HOUSING TIP:

When you are requesting a reasonable accommodation, you do not have to specify your medical history or disclose your disability in detail. You can simply describe your limitations, what your disability prevents you from doing, and what rule change you need. You can learn more and use our free Disability Letter Generator at: www.ctfairhousing.org/raletters.

Examples of reasonable accommodations you might want to request when looking to buy a home are:

- **Asking the real estate agent to drive to homes in your handicapped accessible van instead of in her car.**
- **Requesting that a condominium association conduct an interview over the phone or by Skype instead of holding an interview in person.**
- **Meeting the loan officer in an accessible location because his office is not wheelchair accessible.**
- **Having two parking places assigned to you by the co-op, one for you and one for your home health aide.**

What is a reasonable modification?

A **reasonable modification** is a change in a structure that helps a person with a disability.

Most reasonable accommodations are to ensure that you have equal access to all of the features of your home or the common areas of the community in which you live. Modifications are different from accommodations because they require a physical change to your home or the community. When you buy a home, most modifications to your unit must be paid for by you even if those changes include putting in a ramp to the front door.

Some examples of reasonable modifications that should be granted by the homeowners, condominium, or co-op association are:

- **Giving permission for you to put a ramp to the front door even if the ramp goes over common areas like sidewalks.**
- **Putting in a ramp to the door of the community building. The homeowners or condominium association may have to pay for this.**
- **Placing curb cuts from the sidewalk to the parking lot. The homeowners or condominium association may have to pay for this.**

To learn about financial resources available to help you make modifications in your home, visit the end of this section.

How can you get a reasonable accommodation or modification?

Getting a reasonable accommodation requires a few specific things. The Center has an online tool to help you through the process of writing a request letter here:
www.ctfairhousing.org/raletters

If you can't access the internet, you can write a letter yourself. Make sure to follow these steps for making a request:

1. You will need to show that you are a person with a **disability** or an **impairment** that has a significant limitation on a major life activity.

- An **impairment** is an illness or a physical or mental condition like a back problem, depression, learning problems, cancer, alcoholism, deafness, etc.
- A **major life activity** can be any activity that most people perform with little or no difficulty, like walking, talking, hearing, seeing, picking up garbage, etc.

FAIR HOUSING TIP:

If you are requesting a reasonable accommodation or reasonable modification, you do not have to give anyone access to your medical records. Don't sign a medical release!

2. You will need to make sure that the accommodation or modification you are asking for is reasonable. Determining what is reasonable isn't always easy, but often has to do with whether the change you are asking for will cost the other person money. Changes in rules often don't require any real expenses for the real estate agent, homeowner association, condominium board, or co-op.

3. You should get a letter from your doctor or therapist that explains why you need the change and how the change will help you. The doctor does not need to reveal what your medical condition is, but should say how the change will help you with your disability.

FAIR HOUSING TIP:

If your disability is apparent to anyone (i.e. you are in a wheelchair) you do not need a doctor's letter. You can ask for an accommodation (such as a parking space wide enough for your accessible van). If you do get a doctor's letter, your medical professional does not need to disclose your exact condition or full medical history to make this request.

It is always best to make a request in writing for a **reasonable accommodation** or **reasonable modification**—and it's important to use those exact words. Ask for the change you want and include the letter from your doctor or therapist. Make sure to date the letter and keep a copy. Ask for a response in writing. If you don't hear back or if they turn you down, **call us: (888) 247-4401**.

Word for Word

There are a lot of new terms that get introduced to you when you are looking for a house. It is important that you know exactly what they mean. Here is a list of terms that you might need to reference when you are learning more about the home buying process.

30-year fixed rate mortgage
A mortgage that has an interest rate that is fixed for the life of the loan, in this case for 30 years.

APR
Annual percentage rate. This number tells you the cost of the credit you are being offered. It includes the interest rate on the mortgage as well as certain closing costs and other fees paid to get a loan. The goal is to get an APR that is close to the interest rate on the loan.

ARM
Adjustable Rate Mortgage. This means that the mortgage rate will be fixed or the same for a certain period of time and then will adjust periodically. A mortgage with a 2/28 ARM means that the mortgage rate would be fixed for 2 years and then would adjust periodically over the next 28 years.

Bank
An institution that is regulated by the state or federal governments that is allowed to take deposits and give loans.

CHFA mortgage
Residential loans given by the Connecticut Housing Finance Authority. Some mortgages are for first time homebuyers or borrowers that have not owned a property in the past three years. Other loans target neighborhoods as part of a revitalization effort. First-time homebuyer status is not a requirement for homes purchased in targeted areas.

Closing Costs
Money you pay at the time you buy your home. Typically these costs include an application fee, an underwriting fee, lawyers' fees, and document preparation fees, real estate taxes, PMI, homeowners insurance, appraisal costs, title examination, title and recording fees.

Closing date
The date the borrower signs all of the paperwork needed to complete the loan. This usually includes signing a note and mortgage.

Closing Disclosure Form
This form is a statement of your final loan terms and closing costs. Compare this document with your Loan Estimate.

Conventional mortgage
Usually a 30-year fixed rate residential loan given by a lender. These do not include loans originated or guaranteed by FHA, VA or USDA.

Credit score also known as your FICO score
The number given by credit scoring companies. This is supposed to represent the risk you pose as a borrower. Generally, the higher your credit score, the less likely you are to default on a loan. Your credit score is determined by the amount of credit you currently have and credit payment history among other factors.

Debt-to-income ratios
These are also known as “front-end” and “back-end” ratios. The front-end ratio is the borrower’s total amount of housing expenses (PITI) divided by the borrower’s total monthly income to get a %. The back-end ratio is the borrowers’ total monthly housing expenses (PITI) PLUS other minimum debt servicing costs divided by the borrower’s total monthly income to get a %. Lenders typically looked for front-end ratios of about 28% with back-end ratios of about 43%.

Downpayment
The amount paid by a borrower toward the purchase price of the house. Traditionally, downpayments can be as low as 3.5% or as high as 20% but may be higher.

Downpayment assistance payment loans (DAP)
Some lenders, in addition to loaning money to buy a house, also lend money for a downpayment. Typically, these loans are paid off during the first 5 to 10 years after the purchase mortgage is originated.

Escrow
Many lenders require you to pay a portion of your taxes and insurance to them every month. The lender then pays the taxes and insurance when they become due. When taking out a loan, a lender may require you to put several months of insurance and real estate taxes into an escrow account.

Equity
Equity is the difference between what your house is worth and your mortgage. For example, if your house is worth $300,000 and your mortgage is $250,000, you have $50,000 in equity in your house. Homeowners sometimes take out lines of credit that allows them to borrow money if they have equity in their homes.

FHA mortgage
Mortgages guaranteed by the Federal Housing Authority. They are usually offered at the prime interest rate. There are income qualifications and limits on the amount you can spend.

Fixed Rate Mortgage
A mortgage with the same interest rate over the life of the mortgage.

Loan Estimate
Also known as LE. The estimate that a lender must give a borrower about the closing costs the borrower will have to pay to get the loan.

Homeowners' insurance
Hazard portion of this insurance will pay if the house is damaged due to fire, bad weather, or other events. The liability portion pays for injuries sustained at the property.

Interest Rate
The interest charged by a lender to give a borrower a loan.

Loan origination points
Points paid by a borrower to secure a specific interest rate for a loan. A point is equal to 1% of a loan.

Mortgage broker
A person who finds a mortgage for a borrower. A mortgage broker does not lend money, he or she finds a mortgage lender to lend to a borrower.

Mortgage lender
An institution, which may or may not be regulated by the state or federal government, that provides mortgages. Mortgage lenders include banks, but not all mortgage lenders are banks.

Mortgage officer
An employee of a lender. This person works for a mortgage lender and his or her job is to take loan applications and guide a borrower through the mortgage process. This person does not decide if a borrower is eligible for a loan.

PITI
Principal, Interest, Taxes, and Insurance. This is the amount of your payment on your house every month. Many lenders require you to pay a portion of your taxes and insurance to them every month. The lender then pays the taxes and insurance when they become due.

PMI
Private mortgage insurance. Lenders usually require a borrower to get private mortgage insurance if the borrower does not make a down payment of 20% or more of the purchase price and/or property appraisal. This is an insurance policy which covers the loss of a lender in a distressed sale of foreclosed property. It is not homeowners' insurance.

Points
Money paid by a borrower to get a lower interest rate. A point is equal to 1% of the loan. For example, if you are borrowing $100,000 a point would be equal to $1,000.

Pre-approval
A letter, issued by a bank or lending institution that has checked your finances and credit, stating how much they will lend you for a mortgage.

Pre-qualification
A letter issued by a bank or lending institution which states that you may qualify for a mortgage of a certain amount, but it is subject to change because they have not fully verified your finances and/or credit.

Prime mortgage
Mortgages given at the best interest rate and terms available in the market.

Secondary market
These are companies who buy mortgages made on the secondary market. The major players in the secondary market include Freddie Mac, Fannie Mae, and private investors who buy mortgages.

Servicer Lenders
Lenders sometimes sell mortgages to servicers. The servicer is the company who collects your mortgage payments every month and will notify you if you miss a payment. Check your mortgage statement to find out who your mortgage servicer is.

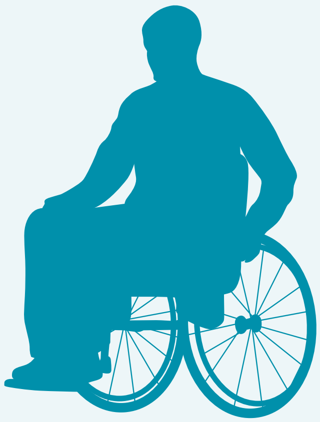
Subprime mortgage
Residential loans given at an interest rate higher than the prime interest rate, and/or other terms that are non-conforming to secondary market's underwriting guidelines. Generally, the lower your credit score, the higher the interest rate charged for a loan. Other non-conforming features such as lack of verifiable income history, source of down payment, etc. may also impact the interest rate negatively.

Underwriters
The folks who decide if you can get a loan. The underwriters are in charge of deciding if a borrower qualifies for a mortgage and the interest rate to be charged.

Do you have a disability?

Do you need to ask your landlord for a change in a rule or a change to your apartment?

Not All Disabilities Look Like This
Some examples: blindness, wheelchair, amputee



Some Disabilities Look Like This
Some examples: PTSD, diabetes, Alzheimer's, asthma

Visit our website and make it happen! **www.ctfairhousing.org/raletters**

Forms

Self-Assessment: What am I looking for?

Looking for a home is fun, but you will quickly realize that you will fall in love with more than one home throughout this process. You should go into every showing fully aware of what you need vs. what you want and make sure that those needs are met. Below are some questions that can help you prioritize your needs and wants in a new home. These answers will help shape your housing search, but you may change your mind and your answers as the moving process continues. This form is for you to keep.

1. Do I want to stay in the same city/neighborhood? ☐ Yes ☐ No

If not, list the cities/towns you are considering moving to:

- ________________ • ________________
- ________________ • ________________

2. What are some basic things I want in my house (laundry, garage, etc.)?

- ________________ • ________________
- ________________ • ________________

3. What are things that I would like to have near my house (church, grocery store, park, etc.)?

- ________________ • ________________
- ________________ • ________________

4. How many bedrooms do you need to have in your new home? ☐ 1–2 ☐ 3–4 ☐ 4+

5. How many bathrooms do you need to have in your new home? ☐ 1 ☐ 2

6. Do you need to have a big yard? ☐ Yes ☐ No

7. Do you prefer gas, oil, or electric heat? ☐ Yes ☐ No

8. Do you want to live near public transportation? ☐ Yes ☐ No

9. Do you want to be close to your place of work? ☐ Yes ☐ No

10. Do you want to be near a good school? ☐ Yes ☐ No

Self-Assessment: What am I looking for?

Looking for a home is fun, but you will quickly realize that you will fall in love with more than one home throughout this process. You should go into every showing fully aware of what you need vs. what you want and make sure that those needs are met. Below are some questions that can help you prioritize your needs and wants in a new home. These answers will help shape your housing search, but you may change your mind and your answers as the moving process continues. This form is for you to keep.

1. Do I want to stay in the same city/neighborhood? ☐ Yes ☐ No

If not, list the cities/towns you are considering moving to:

- ______________________ • ______________________
- ______________________ • ______________________

2. What are some basic things I want in my house (laundry, garage, etc.)?

- ______________________ • ______________________
- ______________________ • ______________________

3. What are things that I would like to have near my house (church, grocery store, park, etc.)?

- ______________________ • ______________________
- ______________________ • ______________________

4. How many bedrooms do you need to have in your new home? ☐ 1–2 ☐ 3–4 ☐ 4+

5. How many bathrooms do you need to have in your new home? ☐ 1 ☐ 2

6. Do you need to have a big yard? ☐ Yes ☐ No

7. Do you prefer gas, oil, or electric heat? ☐ Yes ☐ No

8. Do you want to live near public transportation? ☐ Yes ☐ No

9. Do you want to be close to your place of work? ☐ Yes ☐ No

10. Do you want to be near a good school? ☐ Yes ☐ No

From Dream to Reality: What do I want in a home?

Location, Basics, and Amenities (Organizing Checklist)

Address:

Location	Basics	Expenses/Others
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐

Additional Notes

From Dream to Reality: What do I want in a home?

Location, Basics, and Amenities (Organizing Checklist)

Address:

Location	Basics	Expenses/Others
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐

Additional Notes

Getting Ready:
What do I need to prepare to buy a house?

Working On	Goal	Due Date	Plan

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What do I need to prepare to buy a house?

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What do I need to prepare to buy a house?

Working On	Goal	Due Date	Plan

Buying vs. Renting

	Pros	Cons
Buying		
Renting		

Buying vs. Renting

	Pros	Cons
Buying		
Renting		

Budgets

	Other Monthly Expenses	Sample Calculation	Your Calculation
	Taxes taken out of work income	$800	
	Utilities (water, gas, electric, etc.)	$250	
	Daycare for son	$800	
	401(k) contribution	$250	
	Bus pass	$100	
1.	**TOTAL OTHER EXPENSES (add all of the above expenses)**	**$2,200**	
2.	**HOUSING COSTS (Line 2 from Table 1)**	**$1,540**	
3.	**OTHER MONTHLY DEBT (Line 3 from Table 1)**	**$452**	
4.	**TOTAL MONTHLY EXPENSES (Add lines 1–3 from this table)**	**$4,192**	
5.	**Total Monthly income (Line 1 from Table 1)**	**$5,500**	
	Amount remaining after payment of fixed costs (Subtract Line 4 from Line 5)	**$1,308**	

Budgets

	Other Monthly Expenses	Sample Calculation	Your Calculation
	Taxes taken out of work income	$800	
	Utilities (water, gas, electric, etc.)	$250	
	Daycare for son	$800	
	401(k) contribution	$250	
	Bus pass	$100	
1.	**TOTAL OTHER EXPENSES (add all of the above expenses)**	**$2,200**	
2.	**HOUSING COSTS (Line 2 from Table 1)**	**$1,540**	
3.	**OTHER MONTHLY DEBT (Line 3 from Table 1)**	**$452**	
4.	**TOTAL MONTHLY EXPENSES (Add lines 1–3 from this table)**	**$4,192**	
5.	**Total Monthly income (Line 1 from Table 1)**	**$5,500**	
	Amount remaining after payment of fixed costs (Subtract Line 4 from Line 5)	**$1,308**	

Budgets

	Other Monthly Expenses	Sample Calculation	Your Calculation
	Taxes taken out of work income	$800	
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Loan Comparison

Loan Terms	Loan #1	Loan #2	Loan #3
Name and address of lender			
Name and phone number of loan officer			
Type of mortgage (conventional, FHA, VA)			
Loan amount			
Fixed rate or adjustable rate			
Loan term (number of years)			
Interest rate			
Points?			
Down payment			
PMI (yes or no)			
Credit score required			
Estimated closing costs			
Estimated time to close			

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Document Checklist

Yes/No	Documentation Needed	Number of Years/ Months
	W-2s or tax returns	Past 2 years
	Proof of receipt of Social Security, SSI, or other government benefits	Past 2 years
	Paystubs for everyone whose income will be included	Past 30 days
	Residential addresses	Last 2 years
	Names and addresses of employers	Last 2 years
	Bank statements for all checking, savings, mutual funds, retirement accounts, etc.	Last 3 months
	Names, addresses, account numbers, and monthly payments on all credit cards, car loans, student loans, personal loans, payday loans, other mortgages, and any other debts	All open accounts
	Addresses, annual taxes, and insurance for other mortgages	Last 2 years
	Rent checks	Last 12 months
	Landlord's full name, mailing address	Last 2 years
	Social Security Card	
	Certificate of Eligibility (VA)	
	If self-employed, tax returns and all schedules	Last 2 years
	Divorce Decree or separation agreement, if applicable	
	Sales contract or purchase agreement	
	Written explanation and documentation of student status (if it affected your income) within the last 2 years	
	Written explanation for any credit problems	
	Written explanation for any gaps in employment that lasted more than 30 days	

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Calculating Front-end and Back-end Ratios

		Sample Calculation	Your Calculation
	Gross monthly income		
	Earned income from work	$4,000	
	Government Benefits	$0	
	Alimony, child support	$1,500	
1.	**TOTAL MONTHLY INCOME (Add all of the income amounts listed above)**	**$5,500**	
2.	**FRONT-END RATIO OR MONTHLY HOUSING EXPENSE (28% of monthly income or .28 multiplied by Line 1)**	**$1,540**	
	Monthly Debt		
	Car loan ($8,000 balance)	$230 (paid monthly)	
	Credit Card ($2,100)	$40 (paid monthly)	
	Student loan ($2,000)	$182 (paid monthly)	
3.	**TOTAL MONTHLY DEBT (add all of the amounts paid monthly except the housing expenses)**	**$452**	
4.	**MONTHLY DEBT PLUS HOUSING EXPENSES (Line 2 plus Line 3)**	**$1,992**	
5.	**BACK-END RATIO (not to exceed 36%)(Line 4 divided by Line 1)**	**36%**	

Calculating Front-end and Back-end Ratios

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5.	**BACK-END RATIO (not to exceed 36%)(Line 4 divided by Line 1)**	**36%**	

Acknowledgements

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