

HOME BUYERS INFORMATION KIT



Where to Begin

So you want to buy a house but haven't the faintest idea of how to get started. The worst way to buy a home is to feel pressured buy someone or just jump in without doing your homework. Start out by becoming an educated homebuyer then carefully choose professionals to help you find the right home and loan to fit your needs.

Buying or refinancing your home may be one of the most important and complex financial decisions you'll ever make. Many lenders, appraisers, and real estate professionals stand ready to help you get a nice home and a great loan. However, you need to understand the home buying process to be a smart consumer. Every year, misinformed homebuyers, often first-time purchasers, become victims of predatory lending or loan fraud. Before you start, there are many laws that protect you from scams, unnecessary expenses, and discrimination in the process of home buying. Know your rights!

10 Basic Home Buying Steps



1. Find out How Much Mortgage Can You Afford

You can save yourself a lot of wheel spinning if you take a minute to figure out how much mortgage you can afford. Generally, a lender will want your monthly mortgage payment to total no more than 29% of your monthly gross income (that's your monthly income before taxes and other paycheck deductions are taken out.) You also need to consider current loan interest rates. The lower the interest rate, the more expensive the home you'll be able to afford. HUD-approved housing counseling agencies will help you calculate this amount or use this Internet website:

http://www.ginniemae.gov/2_prequal/intro_questions.asp?Section=YPTH

2. Create Your "Wish list"

Make your wish list. Focus on the features you want in a home: 2 bedrooms or 3? 1 bath or 2? Garage or no garage? Knowing what you're looking for will help you focus your search. And it will help your real estate broker, too.



3. Find a Real Estate Broker

You'll want to start searching for a broker as soon as you decide to buy a home. Talk to several and find someone you think you'll be comfortable working closely with. Many of your friends and relatives have probably bought and sold their homes through brokers. Ask them who they used and what their experiences were. You can find out which brokers specialize in the kind of home or the area you want by asking a HUD-approved housing counseling agency for help. You may also contact your local Board of Realtors. When you talk to prospective brokers, ask questions about the areas and types of homes in which you're interested. Do they seem knowledgeable? Most important, is their personal style a good fit with your own?

4. Mortgages and Home buying Programs

Many different kinds of mortgages are available to you. Read about them, and make sure you understand the pros and cons of each. Your real estate broker can help you. HUD offers some special home buying programs. Also, many local governments offer special home buying programs to help low-income homebuyers. Shop around - you may be surprised at all your options! If you are currently renting a unit in public housing or are a participant of the Section 8 Housing Choice Voucher Program, new home ownership programs have been recently designed to help you purchase a home. Contact the housing agency where you live for more information. Most loans require that lenders collect a portion of your monthly payment to pay real estate taxes, hazard insurance, and other requirements as defined at

settlement. The Real Estate Settlement Protection Act (RESPA) defines what actions the lender must perform. RESPA outlines in detail how escrow accounts should be established and maintained. Following is a HUD website that details information about escrow accounts:

<http://www.hud.gov/offices/hsg/sfh/res/respafaq.cfm>

The following websites will provide you with information on mortgage programs in New York:

- HUD Mortgage Insurance Programs - <http://www.hud.gov/buying/insured.cfm>
- Local Government Programs - <http://www.hud.gov/local/ny/community/home/>



5. Shopping for a Home

Now you really begin house hunting. Your real estate broker will be able to find listings for you on your wish list. But don't stop there! You can do your own looking, and then ask your broker to show you the house. Start with the Internet. Pick up real estate flyers at local grocery stores and convenience stores. Read the real estate sections of your local newspaper. Drive around neighborhoods that interest you and write down addresses where there are "for sale" signs. Go to open houses. Try everything!

6. Home Inspections

When you make an offer on a home, it's a good idea to make your offer contingent on a home inspection, conducted by an independent authorized inspector. You will have to pay for this inspection yourself, but it could keep you from buying a house that will cost you far more in repairs, down the road. If you are satisfied with the results of the inspection, then your offer can proceed. If you aren't, you may want to negotiate, asking the seller to pay for certain repairs or asking for a lower price. Select a home inspector carefully, by consulting the Better Business Bureau and checking the individual's references.

7. Appraisals

Your lender will require you to get an appraisal of the house you want to buy, to make sure it's worth the money that you're borrowing. You may select your own appraiser, or you may ask your real estate broker to help you take care of that.

8. Homeowner's Insurance

Lenders require that you have homeowners insurance, to protect both your interests and theirs. Like everything else, be sure to shop around for insurance that fits your needs

9. Settlement or Closing

Finally, you've gone through the whole process, and you're ready to go to "settlement" or "closing." We know you'll be excited, but be sure to read everything you sign! And before you go, read this important information about your rights. For detailed information on calculating estimated settlement costs, visit HUD's website at: <http://www.hud.gov/offices/hsg/sfh/res/sfhrestc.cfm>



10. Finally, Prepare for that Big Move!

Looks like you're ready to move. There's a lot to consider as you plan your move. The good news is that there's lots of help. Check this out from the U.S. Postal Service: <https://moversguide.usps.com/>

These are just the basic tips for home buying. To obtain more detailed information and brochures you can download, visit HUD's home buying website at: <http://www.hud.gov/buying/index.cfm> or the University of New Hampshire's Institute on Disability at: <http://alliance.unh.edu/>

10 Tips On Being A Smart Home Buying Consumer

1. Before you buy a home, attend a homeownership education course offered by the U.S. Department of Housing and Urban Development (HUD)-approved, non-profit counseling agencies.
2. Interview several real estate professionals (agents), and ask for and check references before you select one to help you buy a home.
3. Get information about the prices of other homes in the neighborhood. Don't be fooled into paying too much.
4. Hire a properly qualified and licensed home inspector to carefully inspect the property before you are obligated to buy. Determine whether you or the seller is going to be responsible for paying for the repairs. If you have to pay for the repairs, determine whether or not you can afford to make them.
5. Shop for a lender and compare costs. Be suspicious if anyone tries to steer you to just one lender.
6. Do NOT let anyone persuade you to make a false statement on your loan application, such as overstating your income, the source of your down payment, failing to disclose the nature and amount of your debts, or even how long you have been employed. When you apply for a mortgage loan, every piece of information that you submit must be accurate and complete. Lying on a mortgage application is fraud and may result in criminal penalties.
7. Do NOT let anyone convince you to borrow more money than you know you can afford to repay. If you get behind on your payments, you risk losing your house and all of the money you put into your property.
8. Never sign a blank document or a document containing blanks. If someone else inserts information after you have signed, you may still be bound to the terms of the contract. Insert "N/A" (i.e., not applicable) or cross through any blanks.
9. Read everything carefully and ask questions. Do not sign anything that you don't understand. Before signing, have your contract and loan agreement reviewed by an attorney skilled in real estate law, consult with a trusted real estate professional or ask for help from a housing counselor from a HUD-approved agency. If you cannot afford an attorney, take your documents to the HUD-approved housing counseling agency near you to find out if they will review the documents or can refer you to an attorney who will help you for free or at low cost.
10. Be honest about your intention to occupy the house. Stating that you plan to live there when, in fact, you are not (because you intend to rent the house to someone else or fix it up and resell it) violates federal law and is a crime.

