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Questions and Answers for First Time Homebuyers

Congratulations on your decision to find out more about owning your own home! Homeownership is a bedrock American value. Once you own your own home, you join the ranks of people who are using their money to build equity, home value, with each mortgage payment.

Remember, even if you have a mortgage, you own your home. Your lender simply has a legal and financial interest in it. But, as long as you make your full mortgage payments on time, your lender will never need to exercise that interest.

These are, in order, the steps involved in buying your first home:

- ◆ Deciding if you are ready to buy a home
- ◆ Determining what kind of home and what features you want
- ◆ Getting pre-approved for a mortgage
- ◆ Looking at homes
- ◆ Making an offer on a home
- ◆ Negotiating the offer with the seller
- ◆ Getting a home inspection
- ◆ Signing the Purchase and Sale Agreement
- ◆ Applying for a mortgage
- ◆ Getting the mortgage commitment letter
- ◆ Final walkthrough
- ◆ Taking possession of your new home

Remember, the process of buying a home is often rather complicated, and you can always benefit from the assistance of an experienced real estate agent. Please call or email me, Christian Melby, at Melby and Associates, LLC (phone: 617-872-4143, E-mail Christian@MelbyAndAssociates.com) if I can answer any questions or help you navigate the real estate maze.

Part 1: Getting Ready

1. HOW DO I KNOW IF I'M READY TO BUY A HOME?

You are ready to buy your first home if:

- ◆ You are ready to stop paying apartment rent that gains you no equity
- ◆ You have been employed at a steady job for at least two years
- ◆ You believe that you are in no immediate danger of firing or layoff
- ◆ In general, you pay your monthly bills in full and by their due dates
- ◆ You don't have any sizable long-term debts (for example, school loans, car payments, or credit card debt)
- ◆ You have adequate savings to make a down payment on a home
- ◆ Your income is large enough to pay your monthly mortgage plus operating costs

2. WHY BUY A HOME RATHER THAN RENT?

When you rent, you are not responsible for breakdown of systems (such as refrigerator, washer, or heating) or for outside maintenance (such as painting, shoveling, or grounds upkeep). But, your rental payment each month doesn't increase the property's value to you, you can't deduct your rental payments from your taxes, you can't control an increase in rent, and you can be evicted. You write your monthly rent check and it's gone forever.

When you own, you can deduct the cost of your mortgage loan interest from your federal income taxes, and usually from your state taxes, too. And, most of your monthly payment for half of the time you'll be paying your mortgage is interest. This adds up to significant savings at the end of each year. As a homeowner, you're also allowed to deduct the property taxes you pay. Another financial plus, it is very likely that your home's value will go up over time.

When you own, and are making mortgage payments, you are getting more equity with each payment. The less you owe on your mortgage, the greater the value of your home to you. True, you are responsible for insurance, property taxes, upkeep costs, the cost to replace failed systems, and other costs, but these factors are more than outweighed by the benefits of owning property that can increase in value.

3. HOW MUCH MONEY WILL I NEED TO BUY A HOME?

Buying a home requires you, in general, to come up with enough money to cover earnest money (the deposit you make on the home when you submit your offer, usually \$500), a down payment (a percentage of the cost of the home needed to get a mortgage), and closing costs (the costs associated with processing the paperwork to buy a house).

When you make an offer on a home, your real estate agent puts your earnest money into an escrow account. If your offer is accepted, the amount of earnest money is subtracted from your down payment or closing costs. If your offer is not accepted, the agent returns your earnest money to you.

The larger your down payment, the smaller your mortgage amount, the lower your monthly mortgage payments. Many types of loans require 10-20% of the purchase price, but first time homebuyer programs often require only 5% down payment (or even no down payment with certain programs).

You pay closing costs at the closing, the legal meeting in which you exchange money and sign legal documents to take ownership of your new home. Closing costs average two to seven percent of the price of your home, and they cover various fees your lender charges and other processing expenses. When you apply for your loan, your lender will give you an estimate of the closing costs, so you won't be caught by surprise.

4. ARE THERE OTHER COSTS IN ADDITION TO THE MORTGAGE PAYMENT?

Typically, you'll have your monthly utilities (such as electricity and phone service). In addition, you might have homeowner association or condo association dues. You'll have property taxes, and you also may have city or county taxes. Your mortgage lender normally rolls these into your mortgage payment.

5. DO I HAVE TO HIRE A REAL ESTATE AGENT AND A LAWYER?

In Massachusetts, you are not required to use a real estate agent or hire a lawyer to buy or sell a home. But, there is absolutely no question that you should. Buying a home involves negotiations, contracts, paperwork, potential pitfalls, and a legal closing process in which you take possession of your new home. If you are going to spend a large sum of money on a new home, you should spend a much smaller sum to make sure your interests are covered. Look for an attorney that has extensive experience representing homebuyers.

Part 2: Determining My Housing Needs

1. HOW DO I DETERMINE WHAT I WANT?

To begin the process of buying a home, you have to do some thinking, make some assumptions, make some decisions, and gather information. You need to be clear on what is important to you.

Ask yourself questions such as:

- ◆ How large a home?
- ◆ How large a yard?
- ◆ Urban or suburban setting?
- ◆ Tree-lined streets or open subdivision?
- ◆ How long a commute to work?
- ◆ What style (for example, Cape, Victorian, townhouse)?
- ◆ How far from an airport?
- ◆ How far from a hospital?
- ◆ How important are public schools?

Buying a home requires you to sort out what home attributes you must have, would like to have, and don't care if you have. There are many attributes that differ in importance for different buyers. Set up a list and decide what is important to you!

The must/want/don't care decisions can include these and other aspects:

Single family or multi-family or condo or buildable lot	Number of bedrooms	Number of bathrooms
Living room	Dining room	Family room
Updated kitchen	Finished basement	Air conditioning
Updated heating	Updated wiring	Updated plumbing
Fireplace	Storage space	Garage
Yard size	Landscaping	Deck/patio
Swimming pool	Waterfront or view	Fix 'er-up'er or move-in
Room to add on	Quality schools	In-law apartment
Nearby park(s)	Nearby shopping	Public transportation

2. HOW DO I DETERMINE WHAT TOWN I WANT TO LIVE IN?

Deciding what town you want to live in depends on your priorities and financial circumstances. Do you want to live close to work, or in a more distant town that has the best schools? Do you want to live close to or far away from shopping and public transportation? Is access to public libraries, parks, and events important, or do you want to live out in the quiet of the country?

Take a ride by several communities that seem interesting. Talk to people in the town square, take a close look at the library, visit the local park, and check out the shopping area. If you are generally impressed, drive around and find interesting neighborhoods. Talk to some people in those neighborhoods.

If school systems are especially important, you can always contact the local school board or local school administrators for detailed information. Your real estate agent may be able to help you in this area also.

To find out the details about community programs, events, and resources, call the local Chamber of Commerce, library, or your real estate agent. Together, these three sources can find the answers to almost any questions you may have.

If you don't have time to do these things, your real estate agent can give you the details on housing types, average housing prices, property tax rate, recent home sales, town services, demographics, and the like for any cities of interest.

3. HOW DO FIND OUT TYPICAL HOME PRICES IN A TOWN OR NEIGHBORHOOD?

Your real estate agent is the person to turn to on this one. Your agent will be knowledgeable about general differences in typical home prices between towns as well as general differences between prices in different neighborhoods within a town. Your agent has access to detailed information about price trends, comparable house sale prices, and specific listing prices of homes on the market.

4. SHOULD I BUY AN OLDER HOME OR A NEW HOME?

The answer, again, depends on your preferences. Generally, older homes tend to be located in more established neighborhoods, often have more architectural detail, and are built with more traditional materials. However, they also tend to require more upkeep and repair. Generally, new homes tend to be located in more open subdivisions, have less architectural detail, and are more energy-efficient. However, newer homes often require less upkeep and repair.

Part 3: Getting Pre-approved

1. ARE MORTGAGE PRE-QUALIFICATION AND PRE-APPROVAL THE SAME THING?

When you get a mortgage pre-qualification, you get a general range of amount that a bank may be willing to lend you. Pre-qualification gives you an estimate of loan amount based on unverified information that you provide to the lender. You tell the lender how much you earn, the monthly amount of your long-term debts, and how large a down payment you can afford. The lender then gives you an estimate of the mortgage amount you could afford. The key here is that the lender does not commit to lend to you. Pre-qualification does not involve checking the accuracy of your statements, and it does not involve running a credit check. Pre-qualification is not adequate to make an offer on a new home; for that you need a pre-approval.

When you get a pre-approval, the lender does a thorough investigation of your income, assets, and credit. When a lender gives you a pre-approval, you have a promise to lend to you (assuming that you meet the conditions spelled out in the approval). Before making an offer on a new home, you must have a pre-approval letter. It shows sellers that you are serious and able to buy.

2. HOW DO I CHOOSE A LENDER?

Very simple! Speak to your real estate agent. A good real estate agent has plenty of great lender contacts gathered through years of experience. Don't worry, a variety of laws prohibit agents from offering or accepting kickbacks or referral fees to or from lenders, so you won't be led astray. Your agent just wants to make sure that you get the financing that you need!

3. DOES MY LENDER CHECK MY CREDIT REPORT?

As part of pre-approval or loan application, your lender will check your credit report with one or more of the three major credit reporting companies: Equifax, Experian, and Trans Union. If you want to check your report prior to requesting a pre-approval or applying for a mortgage, just call Experian (1-888-397-3742), Equifax (1-800-685-1111), or Trans Union (1-800-916-8800). Since your lender may ask for one, two, or all three reports, it is smart to get copies of all reports for you to review.

4. WHAT IF I FIND A MISTAKE?

If you find a mistake, and have proof that it is a mistake, just send a letter to the reporting company that explains the error and includes your proof. Lenders are people too, and in a limited number of circumstances a legitimate explanation of a problem that caused a credit issue will be taken into account in your favor.

5. HOW MUCH WILL THE LENDER LEND ME?

To determine how much your lender will lend you, the lender looks at your debt-to-income ratio. This ratio compares your pre-tax income to monthly expenses (such as car payments, school loans, alimony, child support, and the like). The lender follows lender-specific and federal percentage guidelines, looks at how much you can afford as a down payment, how much savings you have in reserve, your credit history, etc. to determine the most it can lend to you.

Part 4: Searching For Your New Home

1. WHAT SHOULD I LOOK FOR WHEN WALKING THROUGH A HOME?

Remember your must/want/don't care list? Here is where it comes in handy. Compare the features of the home to this list. A no-brainer, really, and it makes sure that your priorities are met. Is there enough room for both the present and the future? In particular, try to answer these questions:

- ◆ Do you like the looks of the surrounding neighborhood?
- ◆ Are there enough bedrooms and bathrooms?
- ◆ Is the kitchen big enough, and do you like its spatial organization?
- ◆ Does the house seem structurally sound?
- ◆ Do the mechanical systems and appliances work?
- ◆ Is the yard big enough?
- ◆ Do you like the floor plan?
- ◆ Will your furniture fit? Is there enough storage space?
- ◆ Does anything need to be repaired or replaced? Will the seller repair or replace the items?

Take your time and think carefully about each house you see. Although, in most cases, your real estate agent is working for the seller (an important point), the agent is required to point out significant defects as well as significant issues and items that could affect your decision to purchase. The seller is only required to do so in response to a direct question from you. Ask your agent to point out the pros and cons of each home.

2. SHOULD I ASK QUESTIONS WHEN LOOKING AT HOMES?

First, organize the questions that are important to you before visiting houses. Keep a record of answers for each house of interest. This lets you make detailed comparisons to find the best property for you. Many of your questions should focus on potential problems and maintenance issues. Does anything need to be replaced? What things require ongoing maintenance (for example, paint, roof, air conditioning, appliances, and carpet)? Also, ask questions about the neighborhood to get a sense of the people you will live near. However, you cannot ask your agent anything that would require him or her to violate federal laws protecting race, color, handicapped status, creed, and the like.

3. HOW MANY HOMES SHOULD I CONSIDER BEFORE CHOOSING ONE?

Simple! Look at as many as it takes to find "the one." Once you take a look at "the one," you'll know it's right for you. Also, don't worry if you haven't seen many houses; fairly often, the first house is "the one." Most homebuyers look at 12-15 houses before choosing one, but many look at only four to six. The better you clarify for your agent what you are looking for, and the better you communicate feedback to your agent about each house you see, the faster you will find what you are looking for.

4. HOW CAN I FIND INFORMATION ON THE YEARLY PROPERTY TAX?

Your agent will be able to help you with this. The total amount of the previous year's property taxes is usually included in the listing information. If it isn't, you or your agent can find the information at the tax assessor's office.

5. WHAT ARE APPRAISED VALUE AND MARKET VALUE?

Appraised value is a certified appraiser's opinion of a home's worth at a given point in time. Market value is what price a buyer of a house agrees to pay for the house. Your agent can do a comparative market analysis to come up with an estimate of market value based on sales of nearby comparable properties (similar size, bedrooms, bathrooms, etc.). Appraised value is often quite different from market value, since market value depends on nearby sales, reputation of the neighborhood, mortgage interest rates, etc.

Part 5: Making an Offer on a Home

1. HOW DO I MAKE AN OFFER?

When you are ready to make an offer, your real estate agent will guide you through the process. An offer is a legal document that proposes a price you want to offer for a home and associated offer conditions. Most offers include this information:

- ◆ A clear description of the property (usually the street address and unit number if applicable)
- ◆ Amount you want to offer for the home
- ◆ Amount of earnest money (usually \$500, but can be different according to the seller's requirements) to bind the offer
- ◆ Down payment you will make, if the offer is accepted, when you sign a Purchase and Sale Agreement
- ◆ Length of time the offer is valid (usually 24 hours) and requires the seller's response
- ◆ If the offer is accepted, the date when you will sign the Purchase and Sale Agreement
- ◆ If the offer is accepted, the date by which you will complete any home, pest, and lead paint inspections
- ◆ If the offer is accepted, the dates by which you will apply for a mortgage and receive a mortgage commitment letter guaranteeing you funds.
- ◆ If the offer is accepted, the closing date, the date when you and the seller will sign legal documents and you will take possession of the home
- ◆ Any other contingencies (for example, contingent on sufficient amount in a condominium reserve fund, or contingent on seller offering to pay closing costs, etc.)

An offer is just that: an offer. The seller can reject, accept, or make a counteroffer. You will only have a sale commitment once both parties accept the offer and you have signed the Purchase and Sale Agreement.

2. HOW DO I DETERMINE HOW MUCH TO OFFER?

The most common situation is that the agent you are working for is either the listing agent (the person who signed a contract with the seller to market the property) or a subagent of the listing agent. In both cases, your agent's first allegiance is to the *seller*, not to you. In this case, make sure that you ask your agent to keep your discussions and information confidential. Your agent's first allegiance is to you only if you have signed a Buyer's Agent Agreement with him or her.

To determine how much to offer, listen to your real estate agent's advice, but the ultimate decision is yours. Think of these factors when deciding on an initial offer:

- ◆ Is the asking price in line with prices of similar homes in the area?
- ◆ Is the home in good condition or will you have to spend a substantial amount of money making it the way you want it?
- ◆ How long has the home been on the market? If it's been for sale for awhile, the seller may be more eager to accept a lower offer.
- ◆ How large a mortgage will be required? Given your offer and your financial terms, will you qualify for the mortgage?
- ◆ What is the seller's situation or motivation? If the seller has already found a house, and needs to sell the house before closing on his or her new house, then the seller may be more flexible on price. If the seller is selling a family property, and already has a house, perhaps the seller might be less flexible.
- ◆ Is your offer likely to be so low that the owner will refuse to work with you further? Is it so close to asking price that you may not get the best deal?
- ◆ How much do you really want the home? The closer you are to the asking price, the more likely your offer will be accepted. In some cases, if you know you are competing with others for the house, you may even want to offer more than the asking price.

By the time you're ready to make an offer, you should have a good idea of what the home is worth and what you can afford. Be prepared for give-and-take negotiation, which is very common when buying a home. You and the seller, through your agents, may go back and forth until you can agree on price and other conditions. If a buyer has several offers, the buyer may accept one for a lower purchase price if it doesn't include restrictive contingencies (for example, the other buyer having to sell a home before buying the new home, in which case you are at an advantage if your offer doesn't include this contingency)!

3. WHAT IS EARNEST MONEY? HOW MUCH?

Earnest money is money put down to demonstrate your seriousness about buying a home. It must be substantial enough to demonstrate good faith and is usually in the \$500 to \$1000 range. If your offer is accepted, the earnest money becomes part of your down payment or closing costs. If the offer is rejected, your money is returned to you. If you back out of a deal (except for specified contingencies such as an unacceptable home inspection), the seller may have the right to keep part of or the whole amount.

4. WHAT IS A DOWN PAYMENT? HOW MUCH DO I HAVE TO PUT DOWN?

A down payment is an amount of the purchase price that you pay when you sign the Purchase and Sale Agreement with the seller. Most lenders will want you to put down at least five percent, but there are no-down payment/low down payment programs available for first-time buyers. If you put less than 20% down, you can expect to have to pay Private Mortgage Insurance (PMI) to protect the lender in case you default on the loan.

5. CAN I USE MONEY FROM OTHER PEOPLE FOR A DOWN PAYMENT?

Most lenders will want you to put down at least five percent, but the rest of a down payment can come from other sources, including your parents, in the form of a gift. If your parents give you the entire down payment, many lenders will require them to co-sign the loan with you. In either case, they will require your parents to submit a letter specifying that the funds are a gift, not a loan.

6. CAN I TAKE BACK AN OFFER?

You can take back an offer at any time until the seller accepts it and you or your agent has received the signed acceptance. Let's say you make an offer on a property, and before you get a signed acceptance from the seller, you find another house you like better. If your agent notifies the seller's agent that you are withdrawing your offer before the seller's signed acceptance is delivered to you or to your agent, then you can safely take back your offer. If you attempt to take back an offer after signed acceptance, then your earnest money is at risk.

7. WHAT DO I DO IF THE SELLER DOESN'T ACCEPT MY OFFER?

Don't worry, this is a common part of the negotiating process. Very often a seller will reject your offer then make a counteroffer. Work with your agent to decide what to do. You can accept the counteroffer, reject the counteroffer and make a counteroffer of your own, or walk away. How about offering more money and asking the seller to cover some or all of your closing costs or to make repairs that wouldn't normally be expected? Often, negotiations on a price go back and forth several times before a deal is made. Don't get discouraged; focus on what you want and can afford.

8. WHAT IF THE SELLER REQUIRES TIME TO FIND ANOTHER HOME?

Be sure to include a provision, called a contingency, which lets you withdraw from the contract at some point. A contingency can be structured in several ways. For example, you might give the sellers a period of time to find another home, say 30 days. After that time, the contingency allows you to withdraw from the contract. The contingency could allow you to withdraw from the contract at any time up until the sellers notify you that they have found another house and that they are removing their contingency from the contract.

9. WHAT DO I DO IF THE SELLER HAS OVERPRICED THE HOUSE?

In many cases, sellers that have overpriced their house are trying to test the market. After awhile, if the house does not sell, they are usually willing to consider more reasonable offers. In this case, the more prepared and knowledgeable you are, the more likely your offer will be considered and accepted. Get pre-approved so you can close the transaction quickly. Find out from your agent what other comparable homes sold for as justification of your offer. Find out as much as you can about what is important to the seller (for example, short time until closing, no interest in fixing minor problems found during the home inspection, etc.) so that you can make your offer as attractive as possible.

10. WHAT ARE CONTINGENCIES AND HOW DO THEY AFFECT MY OFFER?

When you start negotiating to buy a house, you should include standard contingencies, or conditions, in the offer. You may also want to add unique contingencies depending on your circumstances. If you don't satisfy a contingency, the seller can cancel the contract and you may lose your down payment. If the seller doesn't satisfy a contingency, you can cancel the contract and get your down payment back.

You should include these three contingencies in any offer:

- ◆ **Mortgage Clause:** The agreement of sale should provide that your deposit will be refunded if you are unable to get a mortgage loan. For example, your agreement of sale could allow the purchase to be canceled if you cannot obtain mortgage financing at an interest rate at or below a rate you specify in the agreement.

- ◆ **Home Inspection:** An inspection should determine the condition of the plumbing, heating, cooling and electrical systems. The structure should also be examined to assure it is sound and to determine the condition of the roof, siding, windows, and doors. You may want to also get pest and radon tests. If the home inspection is not satisfactory, you can re-negotiate the sale price, require the seller to make repairs, or back out of the sale and get your deposit back.
- ◆ **Lead-Based Paint Hazards:** If you buy a home built before 1978, you have certain rights concerning lead-based paint and lead poisoning hazards. The seller or agent must give you a pamphlet concerning lead hazard information. The seller or agent must tell you what the seller actually knows about the home's lead-based paint or lead-based paint hazards and give you any relevant records or reports. Also, you have at least ten days to get an inspection for lead-based paint or lead-based paint hazards. This contingency gives you the right to cancel the sale based on the negative results of an inspection or risk assessment and get your deposit back

You can include any other contingencies you think are necessary, such as:

- ◆ You can back out if the condo master deed, bylaws, budget, conditions, covenants, and restrictions are unsatisfactory
- ◆ You can back out if you can't get homeowner's insurance
- ◆ You can back out if the seller fails to disclose things such as earthquake hazard, flood hazard, lead (in homes built before 1978), etc.
- ◆ You can back out if the property title (legal ownership) is unclear
- ◆ You or the seller can back out if the contracts are not approved by the designated accountants or attorneys

Part 6: Negotiating the Offer

1. WHAT CAN DO I DO IF NEGOTIATIONS REACH A STALEMATE?

If negotiations reach a stalemate, don't give up! Keep trying to find a solution. Is the seller prepared to take less if you close quickly? Can you pay more if the seller pays some of your nonrecurring closing costs, or if the seller buys down the interest rate on your loan? Your agent can help you find a solution to the impasse.

2. ONCE MY OFFER IS ACCEPTED, WHAT HAPPENS NEXT?

Once your offer is accepted, it can take from 15 to 90 days to finalize your purchase, or close on the property. During that time:

- ◆ You hire an attorney to represent you during review of the Purchase and Sale Agreement, from that point until closing day, and on closing day
- ◆ You get a satisfactory home inspection (if not, the contract could be canceled)
- ◆ Your lender approves your loan (if not, the contract could be canceled)
- ◆ You arrange for title and homeowner's insurance (a condition of the mortgage)
- ◆ You decide how to hold the title (as a sole owner, as a joint tenant, or as a partner)
- ◆ You review closing costs with the lender (usually two to seven percent of purchase price)

- ◆ You and the seller schedule the closing day
- ◆ You arrange for final walk-through inspection
- ◆ You organize and schedule your move

Part 7: Signing the Purchase and Sale Agreement

Once your offer has been accepted, and you have had a satisfactory home inspection, the next step is to sign the Purchase and Sale Agreement. This is the legal document that obligates you to purchase the home on a certain date.

Before you sign the Purchase and Sale Agreement, have your attorney review it to make sure it is fair and protects your interests.

Just like the offer, you and the seller have to agree on the terms (some of which will be specified by lawyer review). Your agent will probably give you a preprinted agreement. You and/or your lawyer can change or add to the agreement, but the seller and/or the seller's lawyer must agree to every change you make. In addition, you and/or your lawyer must agree to every change or addition made by the seller and/or the seller's lawyer.

Here are some important terms that you may see:

Title: "Title" refers to the legal ownership of your new home. The seller should provide title, free and clear of all claims by others against your new home. Claims by others against your new home are sometimes known as "liens" or "encumbrances." You may negotiate who will pay for the title search that will tell you whether the title is "clear."

Sharing of Expenses: You need to agree with the seller about how expenses related to the property such as taxes, water and sewer charges, condominium fees, and utility bills are to be divided on closing day. Unless you agree otherwise, you should only be responsible for the portion of these expenses owed after the date of sale.

Closing Costs: You can negotiate which closing costs you will pay and which the seller will pay.

Part 8: Applying for a Mortgage

1. WHAT IS A MORTGAGE?

Generally speaking, a mortgage is a loan obtained to purchase real estate. The "mortgage" itself is a lien (a legal claim) on the home or property that secures the promise to pay the debt. All mortgages have two features in common: principal (the amount that the lender loans to you) and interest (the interest rate the lender charges for lending the amount).

2. WHAT IS A LOAN TO VALUE? HOW DOES IT DETERMINE MY LOAN AMOUNT?

The loan to value ratio (LTV) is the amount of money you borrow compared with the price or appraised value of the home you are purchasing. Each loan has a specific LTV limit. For example, in the case of a 90% LTV loan on a home priced at \$300,000, you could borrow up to \$270,000 (90% of \$300,000) and would have to pay \$30,000 as a down payment. The higher your down payment, the more home equity you "paid for" when you get the mortgage loan. So, to protect lenders against potential loss in case of default, higher LTV loans (80% or more) usually require purchase of a private mortgage insurance policy.

The LTV determines which mortgage programs are available to you and whether or not you will be required to carry private mortgage insurance (PMI). There are mortgage programs that allow you to avoid having to buy PMI. Just ask your lender.

3. WHAT TYPES OF LOANS ARE THERE? WHAT ARE THE ADVANTAGES OF EACH?

There are two general types of mortgage loans, fixed and adjustable rate, but mortgages come in many sizes and shapes.

Fixed Rate Mortgage: The most popular type of mortgage, your interest rate stays the same for the term of the mortgage, which normally is 30 years (although 15, 20, and 25 year mortgages are available). The advantage of a fixed-rate mortgage is that you always know exactly how much your monthly mortgage payment will be, and you can plan for it. Interest rate changes and inflation do not affect your housing cost. This loan is best if you expect to remain in your home for a long time.

Adjustable Rate Mortgage (ARM): Your interest rate and monthly payments usually start at a substantially lower interest rate than a fixed rate mortgage. But your rate and payment can change either up or down at specified intervals, usually every year after a one, three, five, or seven year fixed period, depending on the ARM program. The adjustment is tied to a financial index, such as the U.S. Treasury Securities index. So, once the loan enters its adjustable phase, your monthly payment can increase or decrease depending on the underlying financial index.

ARM loans usually have limit on increase or decrease at each change as well as a lifetime loan limit on change. The advantage of an ARM is that you may be able to afford a more expensive home because your initial interest rate is lower, so your monthly payment is lower. This loan is best if you expect to remain in your home for a short time.

Balloon Rate Mortgage: Your interest rate and monthly payments stay at the same level for a long time before the first interest rate change. At the end of the loan you are expected to pay a single large payment (the “balloon”). This loan may be a good choice if you expect to remain in your home a short time.

FHA Mortgage: A loan insured by the Federal Housing Administration that requires a low down payment (usually three to five percent. This can make it easier for you to buy a home if you have little down payment money.

VA Mortgage: A loan insured by the Veterans Administration that is available to current or past armed force members. This special government benefit allows military veterans to buy a home with a low or no down payment.

Conventional Mortgage: A loan held by either the Federal Home Loan Mortgage Corporation (FHLMC, or Freddie Mac) or the Federal National Mortgage Association (FNMA, or Fannie Mae). The federal government guarantees repayment of these loans.

4. CAN I PAY OFF MY LOAN AHEAD OF SCHEDULE?

If you send in extra money each month or make an extra payment at the end of the year, you pay off your loan principal faster. Most lenders allow loan prepayment, though you may have to pay a prepayment penalty to do so. Make sure you understand your lender’s policy before getting a mortgage.

5. ARE THERE SPECIAL MORTGAGES FOR FIRST-TIME HOMEBUYERS?

Lenders now offer a wide range of special mortgages for first time homebuyers that can make it easier for you to buy a first home. They can offer you a program that helps you if you don't have money saved for the down payment and closing costs, have no or a poor credit history, have quite a bit of long-term debt, are self-employed, etc.

6. HOW LARGE SHOULD MY DOWN PAYMENT BE?

There are mortgage options now available that only require a down payment of five percent or less of the purchase price. But, the larger the down payment, the less you have to borrow, and the more equity you'll start out with. Mortgages with less than a 20% down payment generally require a private mortgage insurance policy to secure the loan. When considering the size of your down payment, consider that you'll also need money for closing costs, moving expenses, and possibly repairs and decorating.

7. WHAT IS PMI, PRIVATE MORTGAGE INSURANCE, AND DO I NEED IT?

Private mortgage insurance is a policy that protects *your lender* against loss if you default on your mortgage. In general, the lender will require you to have mortgage insurance only if you make less than a 20% down payment on the purchase price of the home, although there are mortgage programs that help you avoid PMI altogether.

8. WHAT IS TITLE INSURANCE, AND DO I NEED IT?

Title insurance is a policy that protects your ownership rights, or “title,” to a specific property against undisclosed liens (restrictions on ownership due to outstanding debts), confusion or competing claims on ownership, and other “clouds on title.” This policy guarantees your ownership of the property.

Before a title insurance company issues a policy, it conducts an extensive search for anything that can affect your ownership. At closing, the title insurance company provides title insurance to protect both you and your lender against title problems. Once you have title insurance, if a challenge is found to your ownership, the title insurance company defends your ownership in court at their expense, corrects or clears the problem if possible, or pays you for your loss if your title defense is not successful.

9. WILL I NEED HOMEOWNER'S INSURANCE?

In order to protect you and the lender, the lender will require you to purchase homeowner's insurance. You must bring a paid homeowner's insurance policy (or a paid receipt for one) to the closing. Speak to your current insurance agent about a policy that meets your insurance needs.

10. WILL I NEED A HOME WARRANTY?

Right after you purchase your home, you will very likely be a bit short of funds for awhile. A home warranty protects you for a specific time period (for example, one year) against the cost of repairs and replacement of appliances (such as a refrigerator) or home systems (such as heating or air conditioning) that are not covered by homeowner's insurance. The lender will not require you to purchase a home warranty, but many homebuyers believe that the relatively small price offers freedom from worries about unexpected costs.

11. WHAT IS INCLUDED IN A MONTHLY MORTGAGE PAYMENT?

The monthly mortgage payment pays off principal (the amount you actually borrowed), interest (interest payment to the lender for the borrowed money), insurance (a monthly amount to insure the property against loss from fire, smoke, theft, and other hazards), and property taxes (the annual city/county taxes assessed on your property, divided by the number of mortgage payments you make in a year).

12. WHAT FACTORS AFFECT THE AMOUNT OF MY MORTGAGE PAYMENT?

The amount of the down payment, the amount of the loan, the interest rate, the payment schedule, and the length of the repayment term all affect the amount of your mortgage payment.

13. HOW DOES THE INTEREST RATE FACTOR IN SECURING A MORTGAGE LOAN?

A lower interest rate allows you to borrow more money than a high rate with the same monthly payment. Interest rates can fluctuate as you shop for a loan, so most lenders offer a rate "lock-in," for a fee, that guarantees a specific interest rate for a certain period of time. Remember that a lender must disclose the Annual Percentage Rate (APR) of a loan to you. The APR shows the cost of a mortgage loan by expressing it in terms of a yearly interest rate. It is generally higher than the interest rate because it also includes the cost of points, mortgage insurance, and other fees included in the loan.

14. WHAT IF INTEREST RATES DECREASE AND I HAVE A FIXED RATE LOAN?

If interest rates drop significantly, you can refinance your loan to the lower rate. Refinancing may involve paying many of the same fees paid at the original closing, plus origination and application fees.

15. WHAT ARE DISCOUNT POINTS?

Discount points, which are prepaid interest, lower your interest rate and thus lower your monthly mortgage payment. Each point is one percent of the total loan amount. When shopping for loans, ask lenders for a no-points interest rate and compare the monthly payment with one or two point loans. Points are tax deductible when you purchase a home, and you may be able to negotiate for the seller to pay for some of them.

16. WHAT IS AN ESCROW ACCOUNT? DO I NEED ONE?

Established by your lender, an escrow account is a place to set aside a portion of your monthly mortgage payment to cover annual charges for homeowner's insurance, mortgage insurance (if applicable), and property taxes. They are required if you put less than 20% of the purchase price as a down payment, and there is often a fee to waive an escrow account. Escrow accounts are a good idea because they assure money will always be available for these payments.

17. WHAT DO I HAVE TO DO TO GET A LOAN?

The first step in getting a loan is to complete a loan application. To do so, you'll need the following information:

- ◆ Home address for the previous two years
- ◆ Social security numbers for both you and your co-borrower, if both of you are applying for the loan
- ◆ A copy of your most recent pay stub stating your year-to-date earnings
- ◆ A copy of your W-2 form for the previous two years
- ◆ Signed tax returns for the previous two years
- ◆ Bank statements for the previous two months for both checking and savings
- ◆ Address and description of the property you wish to buy
- ◆ A list of all credit card accounts and the approximate monthly amounts owed on each
- ◆ A list of creditor names, account numbers, and balances due on outstanding loans (payable notes, other mortgage loans, credit cards, school loans, auto loans, etc)
- ◆ If you are required to pay child support or alimony, a copy of the court order

- ◆ All information about other properties owned (address, market value, outstanding loan amounts, rental income, insurance and maintenance costs, property taxes, etc)
- ◆ Statements for the previous two months for stocks, bonds, and securities if to be used for down payment
- ◆ If you have declared bankruptcy within the past ten years, a copy of all bankruptcy schedules, including discharge papers
- ◆ Proof of any other income
- ◆ A copy of your signed offer and Purchase and Sale Agreement
- ◆ Any other information or forms required by your lender

The required documentation differs depending on your job and the type of mortgage loan program you select. During the application process, the lender will order a credit history report and a professional appraisal of the property you want to purchase. The application process typically takes one to six weeks.

18. HOW DO I CHOOSE THE BEST LOAN PROGRAM?

Your personal situation will determine the best kind of loan for you. By asking yourself a few questions, you can narrow your search among the many options available and discover which loan suits you best:

- ◆ Do you expect your finances to increase or decrease over the next few years?
- ◆ Are you planning to live in the home for a long period of time?
- ◆ Are you comfortable with the idea of a changing mortgage payment amount?
- ◆ Do you want to have paid off your mortgage as your children approach college age or as you prepare for retirement?

Your lender can help you answer these types of questions to help you decide which loan best fits your needs.

19. WHAT IS RESPA?

RESPA stands for Real Estate Settlement Procedures Act. It requires lenders to disclose information to potential customers throughout the mortgage process. By doing so, it protects borrowers from abuses by lending institutions. RESPA requires lenders to inform borrowers about all closing costs, lender servicing and escrow account practices, and business relationships between closing service providers and other parties to the transaction.

One of the purposes of RESPA is to help consumers become better shoppers for settlement services. RESPA requires that borrowers receive disclosures at various times. Some disclosures spell out the costs associated with the settlement, outline lender servicing, and escrow account practices, and describe business relationships between settlement service providers.

These disclosures may include:

Good Faith Estimate of Settlement Costs: RESPA requires that, when you apply for a loan, the lender or mortgage broker give you a Good Faith Estimate of settlement service charges you will likely have to pay. If you do not get this Good Faith Estimate when you apply, the lender or mortgage broker must mail or deliver it to you within the next three business days.

Be aware that the amounts listed on the Good Faith Estimate are only estimates. Actual costs may vary. Changing market conditions can affect prices. Remember that the lender's estimate is not a guarantee. Keep your Good Faith Estimate so you can compare it with the final settlement costs and ask the lender questions about any changes.

Servicing Disclosure Statement: RESPA requires the lender or mortgage broker to tell you in writing, when you apply for a loan, or within the next three business days, whether it expects that someone else will be servicing your loan (collecting your payments).

Affiliated Business Arrangements: Sometimes, several businesses that offer settlement services are owned or controlled by a common corporate parent. These businesses are known as "affiliates." When a lender, real estate broker, or other participant in your settlement refers you to an affiliate for a settlement service (such as when a real estate broker refers you to a mortgage broker affiliate), RESPA requires the referring party to give you an Affiliated Business Arrangement Disclosure. This form will remind you that you are generally not required, with certain exceptions, to use the affiliate and are free to shop for other providers.

HUD-1 Settlement Statement: One business day before the settlement, you have the right to inspect the HUD-1 Settlement Statement. This statement itemizes the services provided to you and the fees charged to you. The settlement agent who will conduct the settlement fills out this form. The fully completed HUD-1 Settlement Statement generally must be delivered or mailed to you at or before the settlement.

Escrow Account Operation and Disclosures: Your lender may require you to establish an escrow or impound account to insure that your taxes and insurance premiums are paid on time. If so, you will probably have to pay an initial amount at the settlement to start the account and an additional amount with each month's regular payment. Your escrow account payments may include a "cushion" or an extra amount to ensure that the lender has enough money to make the payments when due. RESPA limits the amount of the cushion to a maximum of two months of escrow payments.

At the settlement or within the next 45 days, the person servicing your loan must give you an initial escrow account statement. That form will show all of the payments which are expected to be deposited into the escrow account and all of the disbursements which are expected to be made from the escrow account during the year ahead. Your lender or servicer will review the escrow account annually and send you a disclosure each year which shows the prior year's activity and any adjustments necessary in the escrow payments that you will make in the forthcoming year.

20. WHAT THINGS SHOULD I BE CAREFUL ABOUT WHEN APPLYING FOR A LOAN?

Be sure to follow all of these steps as you apply for a loan:

- ◆ Be sure to read and understand everything before you sign.
- ◆ Refuse to sign any blank documents.
- ◆ Do not buy property for someone else.
- ◆ Do not overstate your income.
- ◆ Do not overstate how long you have been employed.
- ◆ Do not overstate your assets.
- ◆ Accurately report your debts.
- ◆ Do not ever change your income tax returns. Tell the whole truth about gifts.
- ◆ Do not list fake co-borrowers on your loan application.
- ◆ Be truthful about your credit problems, past and present.
- ◆ Be honest about your intention to occupy the house
- ◆ Do not provide false supporting documents.

21. WHAT HAPPENS AFTER I'VE APPLIED FOR MY LOAN?

It usually takes a lender between one to six weeks to complete the evaluation of your application. Very often the lender asks for more information once you've submitted your application. The faster you provide the information, the faster your application will be processed. Once all the information has been verified the lender will call you to let you know the outcome of your application. If the loan is approved, a closing date is set up and the lender will review the closing with you.

22. WHAT ARE CLOSING COSTS?

Closing costs are fees charged to you by the mortgage lender and other service providers in conjunction with a mortgage loan and closing on a property. They can include a fee for originating a mortgage, a fee for obtaining a credit report, up-front payment of points to reduce your mortgage interest rate, a fee for land survey, a fee for a home appraisal, a fee for title insurance that protects your ownership against competing claims, etc. The buyer usually pays most of the closing costs, but, since everything is negotiable between buyer and seller, sometimes the seller agrees to pay certain costs as part of the sales agreement.

Your closing costs can include interest on the loan from the closing date to the date of the first payment, a portion of mortgage insurance if you put less than 20% down, a full year's prepayment of hazard insurance, and amounts deposited in advance into an escrow account to cover future payments of real estate taxes, assessments, hazard insurance, mortgage insurance payments, etc.

23. HOW CAN I REDUCE MY CLOSING COSTS?

- Get a no-points loan. A point is a loan origination fee, equal to one percent of the loan amount, which you pay at closing. No-points loans usually have higher interest rates but save you money at closing.
- Negotiate costs and credits. Ask the seller to cover non-recurring closing costs in exchange for shorter time to closing. Negotiate a credit at closing toward one-time-only closing costs in exchange for a higher purchase price. You ultimately pay, but as part of your mortgage, leaving you with more cash on hand.
- Negotiate repairs. Ask the seller to credit you funds at the closing to cover unfinished repairs.
- Time your close. You'll pay less in prepaid interest on the loan if you finalize your home purchase at the end of the month.
- Look for unnecessary fees. Compare the good-faith estimate with your final settlement sheet. Question unexplained fees.

Part 9: Getting a Home Inspection

1. WHY GET A HOME INSPECTION? WHAT DOES A HOME INSPECTOR DO?

A home inspector is essential to the process of buying a safe home in good condition. Home inspectors examine the structure, construction, and mechanical systems of the house and prepare a detailed report of findings.

An inspector checks the electrical system, plumbing and waste disposal, water heater, insulation and ventilation, the heating/air conditioning system, water source and quality, presence of pests, the foundation, doors, windows, ceilings, walls, floors, and roof.

Remember, you should have an inspection contingency in your offer that lets you out of the contract (and gives you back your earnest money), or gives you the ability to renegotiate your offer if repairs are necessary, or requires the seller make satisfactory repairs before you purchase the house.

2. DO I NEED TO BE THERE FOR THE INSPECTION?

Yes, you should. Doing so will let you hear firsthand about any problems and their severity, and it lets you ask questions and solicit information about repairs required and their cost. It also gives you a chance to see what is important in the upkeep of a home and the schedule for making sure that problems don't arise.

3. SPECIFICALLY, WHAT SHOULD I LOOK FOR IF I THINK A HOUSE IS "THE ONE"?

Pay close attention to these aspects:

Grounds, Yard, and Landscaping: Nearby large trees should appear healthy, well trimmed, and no closer than 30 feet to the house. Nearer ones can clog gutters with leaves, and may be dangerous in storms. In a new home, find out if the builder plans to establish the lawn.

Outdoor Lighting: Make sure that there is enough lighting to illuminate entrances, walkways, parking areas, and patios.

Driveway, Sidewalks, Patios: Make sure that there are no puddles of water. Damaged paving stones or bricks not set in concrete can generally be repaired easily. A smooth, even surface is best.

Garage: Be sure the siding and roof are in good condition. Doors should open and close smoothly, and be equipped with locks.

Sewage System and/or Septic Tank: If there is a septic tank, examine the ground near it carefully. Thick grass around it can mean poor absorption and possible leakage.

House Siding: On a wood-sided house, you shouldn't see split shingles, loose nails, or significant discoloration. On a metal-sided house, you shouldn't see dents or significant discoloration. You shouldn't see signs of mildew or decay on the lower edges of surfaces.

Foundation Walls: Some tiny cracks are to be expected, but those more than four inches wide may indicate serious damage. Basement windows should open and close easily and be equipped with screens, locks, and storm sashes.

Windows: Frames should be square, sills and trims should be painted, and sills should show no signs of termite damage. Look for weather stripping around windows, and a solid and unbroken line of putty around window panels. Storm windows, especially double or triple-glazed windows are best.

Outside Doors: Check to see if they are square and fit snugly. Solid wood doors, rather than hollow core, are preferable.

Gutters and Downspouts: Gutters should not sag, or show signs of rusting or peeling paint. Downspouts should point away from the house.

Roof: A sagging or leaning roof may mean that the foundation has settled. If you see this, check the foundation walls in the basement for large cracks. Look at the roof for worn, loose, or missing shingles.

Basement: Look for signs of dampness or flooding; telltale rust stains around the furnace, water marks on the wall, peeling paint, mildew.

Floors: If you place a marble in the middle of a hard-surfaced floor and it rolls away unaided, the floor is not level. If you jump in the center of a room, and you feel excessive springiness, the house may have a structural problem.

Walls and ceilings: Don't expect walls to be crack-free, but do be wary if cracks are large or extremely numerous. Water stains on walls or ceilings may be due to a leaky roof.

Inside doors: They should open and close easily, without sticking or rubbing. Make sure openings are large enough for your furniture to pass through.

Inside windows: They should be easy to open and close, have unbroken panes, and be tightly sealed. Check that frames, levers and cranks, runners, and locks are in good condition.

Fireplace: All bricks and stonework should be in good shape and the damper should open and shut freely. See that the flue is unobstructed and not shared with other household appliances. The height of the chimney should be 2 feet above the roof and nearby trees to prevent downdraft problems.

Bathrooms: All fixtures and tile should be in good shape without chips, gaps, stains, marks, or rough spots. Check for leaky faucets or drains, and make sure tubs and sinks fill quickly and empty rapidly, without gurgling. To test water pressure, turn on all the faucets and flush the toilet simultaneously. The flow of water should remain steady.

Kitchen: Find out which appliances come with the house and make sure that they work properly. If appliances are not included, make sure the ones you plan to install will fit the spaces provided. Examine the condition of the sink and the pipes below it. Check that there are enough circuits, adequate lighting, and ample counter space.

Electrical System: You must have enough electricity to power your home. One hundred amps is a minimum; you'll need 200-300 if you use electric heat. Every house should have 220-volt service, and adequate wiring. It's also important to have enough outlets and switches, conveniently placed.

Plumbing system: Check the condition of the pipes. New sections of pipe may signal that other replacements will soon be needed. Good systems have more than one shutoff valve. The water heater should have an ample capacity and a good recovery rate; it should operate without banging or rattling noises.

Heating system: If the furnace uses gas, watch out for clogged burners. In oil furnaces, the fittings and tank should be in good condition, with no soot around registers. The key to hot water or steam systems is the boiler; make sure it's quiet and that the controls work properly. In electric systems, check the blower. You can estimate the worth of a heating system by checking its age and physical appearance

4. ARE ANY OTHER TYPES OF INSPECTIONS IMPORTANT?

If your home inspector discovers a serious problem, you may need an additional inspection. For example, if the home inspector believes there is a problem with the foundation, a more detailed inspection by a structural engineer could be in order. It's a good idea to consider having your home inspected for radon gas, asbestos, and water quality. If the house you're considering was built before 1978, and you have children under the age of six, you will want to have an inspection for lead-based point.

5. HOW CAN I PROTECT MY FAMILY FROM LEAD IN THE HOME?

Massachusetts state law automatically protects you. You have ten days from acceptance of your offer to get a lead inspection, and your offer contingency states that the presence of lead paint means that you can, if you want, cancel the sale and get your deposit back. Also, Massachusetts law prohibits an owner from refusing to sell to you because you have children under six years old.

6. WHAT IF THE INSPECTION FINDS PROBLEMS?

If the inspection finds problems, it is up to you to decide if you still want the house. If not, your inspection contingency allows you to back out and get your deposit back. If you still want the house, you will need to determine how you want to proceed. Options include proposing a lower purchase price, offering to split the cost with the owner, and so forth. The sellers may accept your proposal, reject it, or propose an alternate solution to the problem. However, whether you want the house or not, you must notify the owner by the inspection contingency date or face possible loss of your earnest money deposit.

7. WHAT IS THE DIFFERENCE BETWEEN A HOME INSPECTION AND AN APPRAISAL?

You pay for a home inspection to find out about the condition and defects in the home. An appraisal is an inspection ordered by the mortgage lender to assess the market value of the house using data on recent sales of similar properties in the area and the condition of the property. Most mortgage lenders will require an appraisal before they will lend money to finance a purchase.

Part 10: Getting the Mortgage Commitment Letter

Assuming that the inspection was satisfactory, the next step is getting your mortgage commitment letter from your lender. In fact, the specific date for this is part of the Purchase and Sale Agreement. If your lender tells you that they cannot give you the loan, you need to notify the seller or seller's agent in writing by the mortgage commitment letter date, or you risk loss of your down payment.

Part 11: Final Walkthrough

1. WHAT IS THE FINAL WALK-THROUGH?

The final walkthrough is your chance to do a final inspection of the home before you go to closing and take possession. This is your final opportunity to make sure all is well before you own the property.

2. WHAT SHOULD I LOOK OUT FOR DURING THE FINAL WALK-THROUGH?

During the final walkthrough, inspect every aspect of the home carefully. Check the walls and ceilings, make sure that any repairs that the seller agreed to do are satisfactory. Any problems discovered previously that you find uncorrected, or any new problems since you last viewed the property, should be brought up prior to closing. It is the seller's responsibility to fix them.

Part 12: Closing Day, Taking Possession of Your New Home

1. WHAT IS CLOSING DAY, AND WHAT HAPPENS AT CLOSING?

Closing day is when you, your agent, your attorney (called the closing attorney), the seller, the seller's agent, the seller's attorney, and any other interested parties gather to sign documents, write checks, and verify last-minute details.

Before you go to closing, your lender will send you a booklet explaining the closing costs, a "good faith estimate" of how much cash you'll have to supply at closing, and a list of documents you'll need at closing. If you don't get those items, be sure to call your lender before you go to closing.

On closing day, you arrive and sit at a table with your agent, the agent for the seller, probably the seller, and your attorney. Your attorney will have a stack of papers for you and the seller to sign. Your attorney will give you a basic explanation of each paper, and you can always ask questions to make sure you know exactly what you're signing.

You'll present your paid homeowner's insurance policy or a binder and receipt showing that the premium has been paid. The closing agent will then list the money you owe the seller (remainder of down payment, prepaid taxes, etc.) and then the money the seller owes you (unpaid taxes and prepaid rent, if applicable). The seller will provide proof of any inspection, warranties, etc.

Once you're sure you understand all the documentation, you'll sign a note in which you promise to repay the loan, and you'll sign the mortgage in which you agree that if you don't make payments the lender is entitled to sell your property and apply the sale price against the amount you owe plus expenses. The seller will give you the title to the house in the form of a signed deed. You'll pay the closing costs and the closing attorney will provide you with a settlement statement of all the items for which you have paid. The deed and mortgage will then be recorded in the state Registry of Deeds, and you will be a homeowner.

2. WHAT MAKE UP CLOSING COSTS?

Closing costs are usually made up of the following (with variations depending on your locality):

- ◆ Attorney's or escrow fees (Yours and your lender's if applicable)
- ◆ Property taxes (to cover tax period to date)
- ◆ Interest (paid from date of closing to 30 days before first monthly payment)
- ◆ Loan Origination fee (covers lenders administrative cost)
- ◆ Recording fees
- ◆ Survey fee
- ◆ First premium of mortgage Insurance (if applicable)
- ◆ Title Insurance (yours and lender's)
- ◆ Loan discount points
- ◆ First payment to escrow account for future real estate taxes and insurance
- ◆ Paid receipt for homeowner's insurance policy (and fire and flood insurance if applicable)
- ◆ Any documentation preparation fees

3. WHAT DO I GET AT CLOSING?

- ◆ Settlement Statement, HUD-1 Form (itemizes services provided and the fees charged; it is filled out by the closing agent and must be given to you at or before closing)
- ◆ Truth-in-Lending Statement
- ◆ Mortgage Note
- ◆ Mortgage or Deed of Trust
- ◆ Binding Sales Contract (prepared by the seller; your lawyer should review it)
- ◆ Keys to your new home

I hope this document has been of help to you. Again, if I can help you define and find what you are looking for, answer your questions about the process, show you properties that meet your requirements, or otherwise offer assistance, please call me at 617-872-4143, email me at Christian@MelbyAndAssociates.com, or visit my web site and sign up for further help at www.MelbyAndAssociates.com, or www.MelbyRealEstate.com, or www.ChristianMelby.com