Questions to ask your lender plus other interesting facts & considerations to owning your own home!

Client Name: ____

My credit scores: _______ (Low) _______ (Middle) _______ (High)

(Lenders will use the middle credit score to determine if you qualify for a loan. If you are a couple, lenders will use the lower of the 2 middle scores. When shopping for loans, have the first lender run your credit and ask for your middle score. When speaking to subsequent lenders, inform them of your score and only have the one with whom you choose to work, run your credit a second time (if you do not work with the first lender who already ran your credit.))

My monthly income before taxes: _______________________

Money saved for down payment & closing costs: _______________________

My monthly debt payments: _________ (Student loans)

_________ (Car payment)

_________ (Credit Card 1)

_________ (Credit Card 2)

_________ (Credit Card 3)

_________ (Other ______________)

_________ (Other ______________)

When choosing a Lender, consider the following:

1) ***A good loan officer*** answers your questions and responds to your calls/emails in a timely manner. (COMMUNICATION)
2) ***A good loan officer*** was referred to you and is local or has a local branch to increase accountability and the likelihood of a successful transaction. (CASH AT CLOSING)
3) ***A good loan officer*** can meet with you in person to discuss the details of the loan process and the products available to you. (COMPETENCE)
4) ***A good lender*** is not a company who gave you the best quote on the internet! (COSTS)
5) When ***deciding between two lenders*** who meet the above criteria, compare the rates & fees to each other by determining the savings per month on the lower rate vs. the number of months it would take to break even by paying higher fees up front.

    a. *For example,* if one lender offers you a rate that is lower by 0.25%/month but their fees are $1000 more: the monthly savings at 5.25% vs. 5.5% is $23/month on a loan of $150,000. Divide $1000 in fees by $23/month saved to learn that it would take you 43 months to break even. So if you plan on living in the house (or having that loan) for 4 years or longer and have the $1000 up front, it may make sense to lock in that lower rate so that after month 43, you will start to save money.

	Lender 1: ______________	Lender 2: _______________	Lender 3: ________________
Can you attend settlement if I need you there?			
Can we meet face to face to review my application?			
Do you know about the 2.14% transfer tax for Philadelphia (4.28% split between buyer & seller)			
Do you prefer email, work or cell phone communications?			
What percentage of your loans are in Philadelphia?			
Is the loan FHA, Conventional or VA?			
What is the down payment required?			
What is the interest rate?			
Are there points with this rate?			
Is it a 30 year loan?			
Is there a pre-payment penalty on the loan?			
Is it a Fixed Rate or Variable Rate (aka ARM)?			
If ARM, when does the rate change?			
If ARM, what is the annual increase cap?			
If ARM, what is the lifetime increase cap?			
When can I lock in my interest rate?			

How long is the lock in period?			

Can I extend the lock in period if necessary? What is the lock in fee?			
How quickly can you close this loan?			
Can I get a Good Faith Estimate (GFE)?			
What are your Fees? Loan Origination Discount Points Processing Fee Underwriting Fee Application Fee Appraisal Fee Document Prep Fee Broker Fee Other Fees: ________________ ________________ ________________ ________________ ________________	 ______________ ______________ ______________ ______________ ______________ ______________ ______________ ______________ ______________ ______________ ______________ ______________ ___________________ _________	 _______________ _______________ _______________ _______________ _______________ _______________ _______________ _______________ _______________ _______________ _______________ _______________ _______________ _______________	 ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________ ________________
What fees do I pay before closing?			
Can pre-paid fees be covered/reimbursed by a seller assist at closing?			

7 Reasons to Own Your Own Home

1. **Tax breaks**. The U.S. Tax Code lets you deduct the interest you pay on your mortgage, property taxes you pay, and some of the costs involved in buying your home.

2. **Gains**. Between 1998 and 2002, national home prices increased at an average of 5.4 percent annually. And while there's no guarantee of appreciation, a 2001 study by the NATIONAL ASSOCIATION OF REALTORS→ found that a typical homeowner has approximately $50,000 of unrealized gain in a home.

3. **Equity**. Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.

4. **Savings**. Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to $250,000 ($500,000 for a married couple) as gain without owing any federal income tax.

5. **Predictability**. Unlike rent, your mortgage payments don't go up over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will rise.

6. **Freedom**. The home is yours. You can decorate any way you want and be able to benefit from your investment for as long as you own the home.

7. **Stability**. Remaining in one neighborhood for several years gives you a chance to participate in community activities, lets you and your family establish lasting friendships, and offers your children the benefit of educational continuity.

To decide whether renting or buying is the best financial option for you, use this resource courtesy of FannieMae:

http://knowyouroptions.com/buy/overview/decide-whats-right-rent-or-buy

How Big a Mortgage Can I Afford?

Not only does owning a home give you a haven for yourself and your family, it makes great financial sense, too.

This calculation assumes a 28 percent income tax bracket. If your bracket is higher, your savings will be, too.

Rent: ___________________________

Multiplier: X 1.32

Mortgage payment: ___________________

Because of tax deductions, you can make a mortgage payment—including taxes and insurance—that is approximately one-third larger than your current rent payment and end up with the same amount of income.

For more help, use Fannie Mae's online mortgage calculators at

http://knowyouroptions.com/find-resources/information-and-tools/financial-calculators/mortgage-calculator

10 Steps to Prepare for Homeownership

1. Decide how much home you can afford. Generally, you can afford a home equal in value to between two and three times your gross income.

2. Develop a wish list of what you'd like your home to have. Then prioritize the features on your list.

3. Select three or four neighborhoods you'd like to live in. Consider items such as schools, recreational facilities, area expansion plans, and safety.

4. Determine if you have enough saved to cover your downpayment and closing costs. Closing costs, including taxes, attorney's fee, and transfer fees average between 2 percent and 7 percent of the home price.

5. Get your credit in order. Obtain a copy of your credit report.

6. Determine how large a mortgage you can qualify for. Also explore different loans options and decide what's best for you.

7. Organize all the documentation a lender will need to preapprove you for a loan.

8. Do research to determine if you qualify for any special mortgage or downpayment-assistance programs.

9. Calculate the costs of homeownership, including property taxes, insurance, maintenance, and association fees, if applicable.

10. Find an experienced REALTOR→ who can help you through the process.

10 Tips for First-Time Homebuyers

1. **Be picky, but don’t be unrealistic**. There is no perfect home.

2. **Do your homework before you start looking**. Decide specifically what features you want in a home and which are most important to you.

3. **Get your finances in order**. Review your credit report and be sure you have enough money to cover your downpayment and your closing costs.

4. **Don’t wait to get a loan**. Talk to a lender and get prequalified for a mortgage before you start looking.

5. **Don’t ask too many people for opinions**. It will drive you crazy. Select one or two people to turn to if you feel you need a second opinion.

6. **Decide when you could move**. When is your lease up? Are you allowed to sublet? How tight is the rental market in your area?

7. **Think long-term**. Are you looking for a starter house with the idea of moving up in a few years or do you hope to stay in this home longer? This decision may dictate what type of home you’ll buy as well as the type of mortgage terms that suit you best.

8. **Don’t let yourself be “house poor”**. If you max yourself out to buy the biggest home you can afford, you’ll have no money left for maintenance or decoration or to save money for other financial goals.

9. **Don’t be naïve**. Insist on a home inspection and, if possible, get a warranty from the seller to cover defects within one year.

10. **Get help**. Consider hiring a REALTOR→ as a buyer’s representative. Unlike a listing agent, whose first duty is to the seller, a buyer’s representative is working only for you. And often, buyer’s reps are paid out of the seller’s commission payment.

10 Things to Take the Trauma Out of Homebuying

1. Find a real estate professional who is simpatico. Home buying is not only a big financial commitment, but also an emotional one. It's critical that the practitioner you choose is both skilled and a good fit with your personality.

2. Remember, there's no "right" time to buy, any more than there's a right time to sell. If you find a home now, don't try to second-guess the interest rates or the housing market by waiting. Changes don't usually occur fast enough to make that much difference in price, and a good home won't stay on the market long.

3. Don't ask for too many opinions. It's natural to want reassurance for such a big decision, but too many ideas will make it much harder to make a decision.

4. Accept that no house is ever perfect. Focus in on the things that are most important to you and let the minor ones go.

5. Don't try to be a killer negotiator. Negotiation is definitely a part of the real estate process, but trying to "win" by getting an extra-low price may lose you the home you love.

6. Remember your home doesn't exist in a vacuum. Don't get so caught up in the physical aspects of the house itself—room size, kitchen—that you forget such issues as amenities, noise level, etc., that have a big impact on what it's like to live in your new home.

7. Don't wait until you've found a home and made an offer to get approved for a mortgage, investigate insurance availability, and consider a schedule for moving. Presenting an offer contingent on a lot of unresolved issues will make your bid much less attractive to sellers.

8. Factor in maintenance and repair costs in your post-homebuying budget. Even if you buy a new home, there will be some costs. Don't leave yourself short and let your home deteriorate.

9. Accept that a little buyer's remorse is inevitable and will probably pass. Buying a home, especially for the first time, is a big commitment, but it also yields big benefits.

10. Choose a home first because you love it; then think about appreciation. While U.S. homes have appreciated an average of 5.4 percent annually from 1998 to 2002, a home's most important role is as a comfortable, safe place to live.

8 Ways to Improve Your Credit

Credit scores, along with your overall income and debt, are a big factor in determining if you'll qualify for a loan and what loan terms you'll be able to qualify for.

1. Check for and correct errors in your credit report. Mistakes happen, and you could be paying for someone else's poor financial management.

2. Pay down credit card bills. If possible, pay off the entire balance every month. However, transferring credit card debt from one card to another could lower your score.

3. Don't charge your credit cards to the maximum limit.

4. Wait 12 months after credit difficulties to apply for a mortgage. You're penalized less for problems after a year.

5. Don't purchase big-ticket items for your new home on credit cards until after the loan is approved. The amounts will add to your debt.

6. Don't open new credit card accounts before applying for a mortgage. Having too much available credit can lower your score.

7. Shop for mortgage rates all at once. Too many credit applications can lower your score, but multiple inquiries from the same type of lender are counted as one inquiry if submitted over a short period of time.

8. Avoid finance companies. Even if you pay the loan on time, the interest is high and it will probably be considered a sign of poor credit management.

5 Factors That Decide Your Credit Score

Credit scores range between 200 and 800. Scores above 620 are considered desirable for obtaining a mortgage. These factors will affect your score.

1. Your payment history. Whether you paid credit card obligations on time.

2. How much you owe. Owing a great deal of money on numerous accounts can indicate that you are overextended.

3. The length of your credit history. In general, the longer the better.

4. How much new credit you have. New credit, either installment payments or new credit cards, are considered more risky, even if you pay promptly.

5. The types of credit you use. Generally, it's desirable to have more than one type of credit—installment loans, credit cards, and a mortgage, for example.

For more on evaluating and understanding your credit score, go to http://www.myfico.com.

10 Things a Lender Needs From You

1. W-2 forms or business tax return forms if you're self-employed for the last two or three years for every person signing the loan.

2. Copies of one or more months of pay stubs from every person signing the loan.

3. Copies of two to four months of bank or credit union statements for both checking and savings accounts.

4. Copies of personal tax forms for the last two to three years.

5. Copies of brokerage account statements for two to four months, as well as a list of any other major assets of value, e.g., a boat, RV, or stocks or bonds not held in a brokerage account.

6. Copies of your most recent 401(k) or other retirement account statement.

7. Documentation to verify additional income, such as child support, pension, etc.

8. Account numbers of all your credit cards and the amounts of any outstanding balances.

9. Lender, loan number, and amount owed on other installment loans—student loans, car loans, etc.

10. Addresses where you lived for the last five to seven years, with names of landlords, if appropriate.