Questions about **buying a home?**

Home Buying Guide

MAKE IT REAL
Use a REALTOR®

Reasons to use a REALTOR®

Now that you have a better idea of what you desire in a home, it's time to start searching. Your REALTOR® will show you a number of properties based on your criteria. REALTORS® have access to the Multiple Listing Service, or MLS. This is the most up-to-date database of homes for sale. Your REALTOR® will send you listings that match your criteria. If you think that the listing is worth taking a closer look at, your REALTOR® will set up a showing, which allows you access to the house. You may also want to do some searching on your own. Look through the local newspaper and other publications to find homes for sale. Drive through the area you are considering. If you happen to find a home that your REALTOR® hasn't brought to your attention, let them know you are interested in the property and they will set up a showing.

Another fun way to view properties is by attending an open house. If you have signed an agreement and are working with a REALTOR®, it is a good idea to discuss open houses and the viewing of other properties before going out on your own. Depending upon your compensation agreement with the agent, you may jeopardize the commission split if you view the home without your representative. And, if you are working with an agent, be sure you disclose this information to the agent hosting the open house.

A Minnesota REALTOR® can also help you understand how short sales and bank-owned properties differ from other homes for sale and provide information on why

now is a terrific time for many people to purchase a home.

Table of Contents

Can you afford a HOME?

FINANCING

Purchasing a home is one of the most important and rewarding decisions a person can make, which also means it is one of the most stressful! With all of the steps, money, and people involved, it is easy to be overwhelmed.

CAN YOU AFFORD A HOME?

Rule of thumb: You can afford a home that costs about $2\frac{1}{2}$ times your yearly income.
Some other factors that will help you determine how much you can afford:

- How much money do you need for other bills?
  Be sure to include utilities, doctors, groceries, car payments, insurance, etc.
- How much do you have for a down payment?
  The typical minimum down payment is 3% of the total loan amount. Some special financing programs have lower down-payment requirements. Down payments can also be from funds given to you by family or friends.
- How much will you need for closing costs and other payments?
  Be prepared to get out your checkbook. There are several costs—along with the down payment—that will arise, such as earnest money, inspection and appraisal fees, and insurance binders.

QUALIFYING FOR A LOAN

Do not confuse loan qualification with loan approval. Even before you begin looking for a home, meet with a lender to determine how much you qualify for. Keep in mind that prequalifying with a lender does not bind you to that lender. Do not sign any paperwork that would obligate you to a lender at this point.

LOAN QUALIFICATION

Estimate your maximum home payment

Gross Monthly Income: .... ____________

- Multiply by .28 for a conventional loan or... ____________

  .29 for an FHA loan .... ____________

The number you come up with is your maximum monthly home payment.

Estimate your maximum long-term debt payment allowed by a lender

Gross Monthly Income: .... ____________

- Multiply by .36 for a conventional loan .... ____________

  or .41 for an FHA loan. .... ____________

This is the maximum total monthly debt payment a lender will allow, including housing.

Household income/expense worksheet

STEP 1: YOUR MONTHLY INCOME

Add the following:

Household income after deductions............................... ________
Interest and dividends... ________
Other income... ________
Total monthly income .... ________

STEP 2: MONTHLY NON-HOUSING EXPENSES

Add the following:

Food and supplies .... ________
Clothing... ________

Medical bills, including:

Insurance premiums .... ________
Life insurance .... ________
Disability insurance .... ________

Automobile expenses:

Car loan .... ________
Insurance.. ________
Gas .... ________
License.. ________
Routine maintenance....................................... ________
Parking .... ________

Education:

Student loans .... ________
Current classes .... ________
Books, etc. .... ________

Recreation.. ________

Credit card payments...................................... ________

Child support you owe..................................... ________

Alimony you owe .... ________

Telephone bill .... ________

Personal expenses.. ________

Savings and investments.................................. ________

Income taxes... ________

Total non-housing expenses.............................. ________

STEP 3: MONTHLY HOUSING EXPENSES

Estimate and add the following:

Mortgage loan payment (principal and interest).. ________

Property taxes (check with the county assessor for a rough estimate).. ________

Mortgage insurance (estimate at 3½% of the loan amount for roughly seven years; after you have 20% equity in your home, lenders must allow you to drop mortgage insurance) .... ________

Homeowner's insurance (includes liability, flood, fire, and any other) .... ________

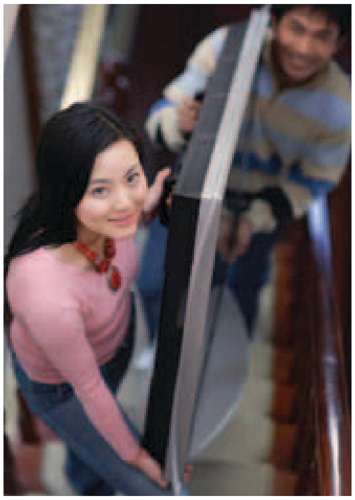
Utilities (heat, water, electricity, gas).. ________

Garbage removal .... ________

Maintenance and repairs (usually 1% of the value of the home annually) .... ________

Other (such as assessments, condominium association dues and any others) .... ________

Estimate of total monthly housing expenses .... ________



Add the total in Step 2 to the total in Step 3 to arrive at your estimated expenses. Compare this to your income in Step 1. If your estimated expenses are higher than your income, you have some adjustments to make. You either need to lower your expenses or lower your expectations of what you can afford in a home .... ________

Saving for your DOWN PAYMENT

Don't take on any new debt. Meaning, don't go out and purchase a new car if you're planning to buy a house. Begin saving money as soon as possible. If possible, ask a family member for a gift of money.

SOME COSTS TO CONSIDER

Earnest Money
This is money that is given to an agent once an offer is made on the property. The amount can range from $1,000 to $5,000. The earnest money is money that, if the offer is accepted, goes toward the down payment.

Homeowner's Insurance
Once you find an insurer, you will need to pay the premium. Once you pay this, you will receive a binder from your insurance agent, which you will need to bring to closing. The cost depends on the policy you purchase. It can vary from $500 to $2,500.

Inspection Fee
Once you've made an offer on a home, you will need to have a property inspection. Depending on how in-depth of an inspection you need (if you test for radon, have a well or septic inspection, etc.), you could pay between $200 to over $1,000.

Underwriting Fee
Most lenders charge an underwriting fee to process your loan application. This typically is around $250 and is paid at closing.

Origination Fee or Commitment
This is a fee lenders charge for extending a loan above and beyond the interest they charge. If you are considered a credit risk, you may be charged more. The cost is usually 1% of the loan value and is paid at closing.

Appraisal Fee
This typically costs between $250 and $350.

Plat Drawing/Survey
Some lenders may require a drawing of the home's location, the lot lines, as well as any easements and rights-of-way. Plat drawings are less expensive, and less accurate. Expect to pay $50 to $60 for a plat drawing. For a more accurate description, you should have the property surveyed. This could cost $300 to $700.

Mortgage Insurance, Private Mortgage Insurance (PMI)
This is the insurance required on some conventional loans. For a $100,000 loan, the amount can range from $500 to $1,000 annually. The larger the loan, the larger the insurance premium.

Mortgage Insurance Premium (MIP)
This is the insurance required for an FHA loan. It is typically 2 or $2\frac{1}{4}$% of the loan, plus $\frac{1}{2}$% annually for a certain number of years. Keep in mind, you will never need both PMI and MIP.

Mortgage Registration Tax
This tax is from the state, county, and city. All Minnesota mortgage borrowers must pay $1.15 per $500 of the mortgage.

Settlement or Closing Fee
This fee is paid to the person conducting the closing, and is typically around $300.

Credit Report
Lenders will order a credit report for all persons applying for the mortgage loan. This report is around $60.

Recording Fees
These fees are passed on to the county where the property is located to cover document recording costs. This fee is around $25 to $40.

Finding a HOME

One of the most important things to consider when finding a home is the location. Here are some considerations:

Traffic
Visit the property at different times. If you visit at 11 o'clock in the morning, the street will probably be quiet. Go back around 5 o'clock in the evening. Is the property next to a highway or main thoroughfare? If so, how noisy is it? Is the property next to railroad tracks or in a flight pattern? Be sure that you can handle the noise of these factors.

Commuting
You may discover that the farther out of the city you go, the more you can afford in a home. If this is the case, and you work in the city, consider the commute. Is this something you can endure every day? It's a good idea to try out the commute, during your normal commute times. The longer your commute, the more you will be paying for fuel and auto maintenance.

Community
Check out the city's Chamber of Commerce and ask for a Resident's or Visitor's Guide. This will give you some insight as to area attractions, restaurants, events, and other interests happening in the community. Locate a copy of the city or community's newspaper and read about other community members' concerns. Talk with the city planning department to find out about future developments and other issues. If crime is an issue, ask the local police department for statistics.

Schools
If you have children, this is probably going to be the biggest deciding factor in choosing a home. Visit the schools, talk with the principal and teachers.

Cultural and Religious Organizations
Again, check the local newspaper for various organizations. Another good resource to utilize is the city phone book. Check out the bulletin boards at the local grocery stores and coffee shops for meetings.

Single-Family Homes vs. Condos and Townhouses
Deciding on the type of home you want to live in will help to narrow down your search. Do you like the worry-free benefits of renting, where you don't have to do any yard or exterior maintenance? Then you may want to consider living in a townhouse or condo. Is having a yard and doing housework something you desire? Then single-family homes are what you should be looking at.

One thing to remember about townhouses, should this be the type of housing you choose, is that they are part of an association. Townhouses and condos will have an association that takes care of the exteriors of the units. They do the snow removal, yard work and maintain the outside structure of each unit, such as siding, the roof, and foundation. Because they are completing these activities for you, the association requires you to pay them dues. **If you are considering a townhouse, be sure to inquire on the following:**

- How much are the association dues? Are they monthly or annually?
- Is there a reserve for major repairs? For example, if the roof is severely damaged, or if driveways need to be resurfaced.
- Is the association run by a management company, or is it run by the owners?
- Ask for a copy of the association rules. Some associations have pet restrictions. Some have strict parking rules. Some have restrictions on exterior decorations and planters.

DISCRIMINATION AND FAIR LENDING

It is against federal and Minnesota law for real estate agents, sellers, and lenders to discriminate against buyers because of their race, color, creed, sex, religion, national origin, marital status, status with regard to public assistance, disability, sexual orientation or familial status.

Discrimination may not be as blatant as you'd think. Real estate agents should not refuse to list or show properties in certain areas. Lenders should not refuse loans in certain areas.

firstmnhome.com

Needs and WANTS

Now that you know where you would like to begin looking and what type of house to look for, it's time to refine your search even further.

Use the following worksheet to determine your needs and wants in a home. List what you need in the first column. In the second column, list your wants.

FEATURES	NEEDS	WANTS	
		MOST	LEAST
Number of bedrooms			
Number of bathrooms			
Square feet			
Style of home (rambler, split-level, etc.)			
Modern kitchen			
Fenced-in yard			
Fireplace			
Garage (How many stalls? Attached?)			
Porch			
Windows (number, type)			
Wood floors			
Carpeting			
Other			
Other			

The search is ON

Now that you have a better idea of what you desire in a home, it's time to start searching.

Your REALTOR will show you a number of properties based on your criteria. REALTORS have access to the Multiple Listing Service, or MLS. This is the most up-to-date database of homes for sale. Your REALTOR will send you listings that match your criteria. If you think that the listing is worth taking a closer look at, your REALTOR will set up a showing, which allows you access to the house.

You may also want to do some searching on your own. Look through the local newspaper and other publications to find homes for sale. Drive through the area you are considering. If you happen to find a home that your REALTOR hasn't brought to your attention, let them know you are interested in the property and they will set up a showing.

Another fun way to view properties is by attending an open house. If you have signed an agreement and are working with a REALTOR, it is a good idea to discuss open houses and the viewing of other properties before going out on your own. Depending upon your compensation agreement with the agent, you may jeopardize the commission split if you view the home without your representative. And, if you are working with an agent, be sure you disclose this information to the agent hosting the open house.

You've Found "The One"

After searching and looking, you, with the assistance of your REALTOR, finally found a house that you really like. Be careful to not let your emotions get too carried away. It may be easy to fall in love with a home the second you walk through the door. If you are truly interested in the house, visit it a few times. Once you are certain that this is the house you want, it's time to make an offer.

Making an offer on a home is why it is so important to work with a REALTOR. They have experienced negotiation skills and know the best way to manage the transaction. Keep in mind that when a REALTOR is representing you, it's their duty to keep your best interests in mind. Consult with your REALTOR about how you would like to proceed. You want to be able to pay the lowest possible price for the home, but you also don't want to waste any time. Have your REALTOR check on the activity of the listing. Have a lot of people already looked at the property? How long has it been listed? If it is a new listing and has already received heavy traffic, you may want to act quickly. If the property has been on the market for many months, you will probably have some negotiation room. Your REALTOR will also be able to conduct a neighborhood comparison, which identifies the prices of other similar homes in the area. This will help you in determining how much to offer for the property. Your offer must:

- Be in writing
- Include how you will finance the purchase
- Include the time period for the seller to accept
- Include the closing and possession date on the property

Your offer will be prepared on a purchase agreement. This is a legally binding contract, so be sure that you can back up what you are offering. Once the seller signs the purchase agreement, it will be expensive to back out. **READ THE PURCHASE AGREEMENT CAREFULLY AND THOROUGHLY!** Don't feel obligated to be rushed into signing a purchase agreement. If you have questions, ask your REALTOR. They are trained to understand the language contained in the purchase agreement.

THE INSPECTION

When you do sign a purchase agreement, it is a very good idea to include an inspection contingency. This will allow you to hire an inspector to view the property and point out any major defects. It is important to remember that an existing home will need maintenance. However, an inspector can help you identify and avoid major problems. Your REALTOR will utilize a contingency that will give you more negotiating options should a major problem arise.

Homes can have many problems the average person may not see. A trained inspector will look at the plumbing, electrical, heating and cooling systems. They will climb on the roof and crawl in small dark spaces. They will be able to see if a house has mold or significant roof or foundation problems. They can also conduct tests for environmental hazards such as radon, lead paint, and asbestos. Should a major problem be discovered, you can ask the seller to either repair it or reduce the price.

Some municipalities require a Truth-In-Housing Inspection Report. This inspection is done to ensure that the home meets the city's building codes. Most cities that require this report do not necessitate that the seller fixes any problems, they just need to be listed out during the showing of the property. Even if a Truth-In-Housing Report is done on a property, it is still a good idea to have an inspection of your own done.

PLEASE NOTE

If you have an FHA or VA loan, you may be required to have a home inspection. Since these are government loans, they will require that the property passes certain criteria in order for the loan to be granted.

The people you'll be WORKING WITH

Several people will be helping you with your journey in finding a home, and they all need to be compensated. Here's a quick rundown.

The Real Estate Broker/Agent

The agent's reimbursement is riding on the fact that you purchase a home. Real estate brokers/agents are compensated in a number of ways. First, as a percentage of the purchase price. This can be done through a commission agreement between the company representing the seller and the agent representing/assisting you. Second, you can compensate the real estate agent for the time, effort and knowledge they bring to the transaction. Third, you may pay a flat fee for the services. Or you may run across a scenario where a combination is used.

There are different types of agents, and these different agents have different interests. A seller's agent is loyal to the seller. That means the agent, and the company that agent is affiliated with, is representing the seller's interests in the transaction.

A buyer's broker/agent is bound to you and must keep your best interests in mind. This means that the agent/company is representing your interests in the transaction.

In some situations you may be working with a dual-agent. This means that the agent or agents are representing both the buyer and seller in the real estate transaction. This situation can only occur if you and the seller agree to allow the real estate agents to act as dual-agents. When acting as a dual-agent, Minnesota law limits the information an agent may share with you. This law states "the agents/broker shall take no action that is detrimental to either side…"

It is possible that you will work with a facilitator. This is an agent/broker who is not representing you or the seller in the transaction. They are simply carrying out the instructions of the parties in a legal manner.

In finding a real estate agent, some questions you may want to ask are:

- How long have you been in the real estate business?
- What training and/or designations do you have?
- Do you have a list of references or past clients?
- How many homes have you sold in the last 12 months?
- How familiar are you with the area I'm interested in?

One thing to consider when choosing a real estate agent is choosing one that is a REALTOR. Why should you choose a REALTOR? A REALTOR is more than just a real estate licensee. To earn a REALTOR designation an agent must adopt and adhere to a strict Code of Ethics. Once you have found an agent, you will need to enter into a signed representation agreement. This agreement may be exclusive or nonexclusive. An exclusive agreement binds you to the brokerage for an agreed upon duration. If you sign a nonexclusive agreement, you may work with more than one agent. Please keep in mind that an agent will be more likely to work harder for you if you enter into an exclusive agreement with them.

The Loan Officer

You will be meeting with the loan officer early on in the game. The loan officer will help you determine how much you can afford based upon the lender's criteria. Loan officers will also be checking your employment and credit history. Remember, unlike a real estate agent/broker who may be representing you, a loan officer is looking out for the interests of the lender. If you decide to visit a lender before you hire a REALTOR, be prepared for the possibility of paying the lender that prequalified you. To avoid this, ask the loan officer up front for a list of fees they charge and when they begin charging you. Lender credibility is also important to receiving a mortgage. Using an established lender demonstrates success. Your REALTOR is very familiar with mortgage lenders and the services they can provide.

The Loan Processor

Part of your closing costs will go to the loan processor. They double-check the work that the loan officer gathers. It is the loan processor's duty to determine if you're a good credit risk for the lender.

The Underwriter

The underwriter gives final approval for your loan.

The Appraiser

The loan officer will need an independent opinion on the value of the property you are obtaining a loan for. The appraiser will compare the property to similar properties in the area to determine its market value. An appraisal is conducted so that the lender can feel comfortable that the property is worth what you will pay. Remember, if for some reason you default on the loan, the lender wants to make sure the property has enough value to cover your loan balance.

The Home Inspector

It is up to you whether or not to hire a home inspector. Having a home inspected will determine if there are any major problems with the property. If major problems do arise, you can use them as part of your negotiation in the purchase.

The Closer

The closer's duty is to ensure that all parties sign and date all documents.

The loan **PROCESS**

Just as there are several types of credit and financial situations, there are several different types of loan situations. Here's a look at some of the various types of loans and the advantages and disadvantages of each. This should help you to determine the loan that is best-suited for you.

Fixed Rate vs. Adjustable Rate Mortgage (ARM)

Just as their names imply, a fixed rate mortgage is a mortgage that locks you into one rate for the entire duration of the loan. Adjustable rate mortgages, or ARMs, will adjust according to an index of the U.S. Treasury. Please keep in mind that you always have the option of refinancing your home. In doing so, you can change the status of your rate.

Advantages of Fixed Rate Loans

- Certainty. You will always know what your rate is. There will be no wondering if your rate will rise.
- If the current interest rates are low, locking in at a fixed rate will ensure that when the rates begin to rise, you will continue to pay the low rate.

Disadvantages of Fixed Rate Loans

- Be careful if the current interest rates are high. If this is the case, taking out a fixed rate loan will mean that you will pay the high rate, even if the current rates begin to fall.

Advantages of ARMs

- Typically, ARMs have a starting interest rate that is lower than the current rate. The difference can be between 1 and 3 points.

Disadvantages of ARMs

- Your ARM could rise quickly. If this is the case, you could end up paying much more than the current interest rates in a short period of time.
- Usually, ARMs do not give you the option to switch to a fixed rate. Your only option to escape paying a rising interest rate would be to refinance.

Federal Housing Administration (FHA) Loans

The U.S. Department of Housing and Urban Development (HUD) guarantees loans for low- to moderate-income home buyers. These loans are backed by the Federal Housing Administration (FHA). FHA loans are very popular for first-time home buyers in Minnesota. If you qualify for an FHA loan, you will need to pay for an FHA appraiser to determine the value of the property. You will also need to pay for mortgage insurance.

Advantages of FHA Loans

- You can make a lower down payment.
- It is possible to qualify even if you have substantial long-term debt.
- If you take out an ARM FHA loan, it will only move 1 point per year.

Disadvantages of FHA Loans:

- You must pay a mortgage insurance premium, or MIP, which is equal to $2\frac{1}{4}\%$ of the loan amount on a 30-year loan.

The loan process (continued)

Veterans Administration (VA) Loans

These are available to people who have served in the military for a certain length of time. To see if you qualify, call 651-296-2562 or 1-800-827-1000. Surviving spouses are also eligible for VA loans.

Advantages of VA Loans

- You can borrow the entire purchase price of the home. No down payment required.

Disadvantages of VA Loans

- You must pay a funding fee, which is 2% for veterans or those on active duty and 2¾% for those serving in the National Guard or reservists. You can pay this fee as part of your monthly loan payment.

Assumable Mortgages

A buyer can take over the seller's loan and make the payments that were negotiated by the seller years ago. These types of loans carry higher interest rates, but have lower closing costs.

A Caution About Predatory Lending

Predatory lenders take advantage of people in difficult financial situations. They will exploit those who have a lack of financial knowledge, which is why it is easy for first-time home buyers to fall victim to them. Be cautious of the following:

- High interest rates and fees. Some loans will contain hidden fees. Most fees are negotiable. Be knowledgeable of what your lender charges. Ask them up front for a list of their fees.
- Small monthly payments with a large balloon payment in the end. Some lenders will make an offer with low monthly payments. Be sure to investigate how much the end of your loan will require you to pay monthly. It could be set up in such a way that you would be required to take out a second loan in order to pay off the original one.
- Prepayment penalties. Some loans may penalize consumers wanting to pay off some or all of the entire loan early. Minnesota law requires lenders to disclose these types of penalties at the time of application, and the lender must offer you an alternative should you decline.

Mortgage Insurance

Depending on your loan type and the amount of your down payment, you may be required to purchase mortgage insurance.

If you made less than a 20% down payment on a conventional loan, you will need to purchase Private Mortgage Insurance (PMI), which is paid monthly. Once you gain 20% of your equity, then you may be released from this insurance.

If you have an FHA loan, you will need to pay a mortgage insurance premium (MIP) of 2¼% of the total loan amount for a 30-year loan. You cannot cancel your MIP under Minnesota law.

Property Appraisal

To approve your loan, your lender will require a property appraisal to ensure that the amount of the loan is appropriate for the condition of the property. An appraisal is an estimate of the property.

Homeowner's Insurance

Another requirement of the lender will be that you have the property insured. This also insures their investment in the property. Be sure to shop around to avoid overpaying. Keep in mind that an insurance company will not only look at the current condition of the home, but they will also look at any past claims on the property, along with any past claims that you have made on any other properties. Depending on the location of the property, meaning county, city, and zip, you may pay a higher premium. The insurer will also look at your age, if you have children and if you have any pets. Another cost-saving tip is to use the same insurance company that the previous homeowner used.

Title Insurance

This will protect the lender in the event the legal title of the property isn't clear. Some events that could result in an unclear title would be if a spouse wasn't living in the property at the time of sale, then later decides they want to claim it, or if the property was left to another party in a will.

Escrow

Your lender may require you to escrow monthly payments for things such as insurance and taxes. The amount of these expenses will be included in your monthly mortgage payments.

Glossary of TERMS

Addenda
These are supplemental documents that are part of a purchase agreement.

Adjustable Rate Mortgage, ARM
A loan where the interest rate adjusts to current rates during the duration of the loan.

Annual Percentage Rate, APR
The cost of the loan, including the interest rate, points, origination fee and other charges.

Assessments
When a city makes improvements to city property, homeowners must pay for these improvements through their city taxes.

Association Dues
Payments condominium and townhouse owners make for upkeep and management of shared property.

Assumable
A loan where a buyer arranges to take over the seller's original loan.

Buyer's Broker
An agent who works on behalf of the buyer.

Closing Costs
The costs involved in the transfer of property.

Commitment Letter
A letter from your lender showing qualification of a loan and listing the terms.

Contingency
An addition to a purchase agreement stating that certain terms be met within a time frame for the agreement to remain valid.

Contract for Deed
An owner offering the buyer financing, and the buyer makes monthly installments to the owner.

Conventional Loan
Loans without government involvement.

Credit Score
A rating based on your credit history.

Default
Failure of loan payment.

Down Payment
An up-front payment made on a home.

Earnest Money
Money paid to the agent when an offer is made on a property. If the offer is approved, the money is counted toward payment of the property. If the offer is denied, the money is returned to the buyer.

Equity
The portion of the property that you own that is clear of any mortgage.

Escrow
Money paid in addition to the monthly mortgage payment that is used toward paying property taxes and insurance.

FHA Loans
Loans that are backed by the Federal Housing Administration.

Fixed Rate Loan
A loan that has a constant rate for the duration of the terms.

Gross Income
Your income before taxes.

HUD-1 Form
A settlement statement of all of the closing costs.

Homeowner's Insurance
Insurance which homeowners purchase to protect their investment.

Homestead Taxes
Property taxes paid by owners who actually live in the home.

Interest
Lender's charge for a loan.

Loan Origination Fees
Fees you pay your lender for handling and processing your loan application.

Loan Processing
An analysis by a lender to determine your qualification for a loan.

Lock-In Agreement
An agreement you make with your lender to lock in at the rate you qualified at.

Long-Term Debt
Debt you will owe on for more than six months.

Mortgage Discount Points
Prepaid interest on a loan.

Mortgage Insurance Premium, MIP
Insurance that a lender is required to charge for on an FHA loan.

PITI–The Monthly Loan Payment
Principal, Interest, Taxes, and Insurance.

Prepayment Penalty
A penalty fee assigned for early payoff on a loan.

Prime Mortgage
Highest grade of mortgage that you qualify for.

Principal
Total amount you are borrowing for a home.

Private Mortgage Insurance, PMI
If you make less than a 20% down payment on a conventional loan, you will be required to pay for this insurance.

Property Tax Adjustment
Reimbursement to the seller for taxes already paid for the year.

Purchase Agreement
A legally binding agreement between the buyer and seller that lists the terms and conditions of the sale of the property.

Re-Issue Credit
Savings on the cost of homeowner's insurance for using the same company the previous owner used.

Sub-Prime Mortgage
Has a higher interest rate than prime mortgage.

Subagent
A seller's agent that owes their duties to the seller. A subagent may bring a potential buyer to a property.

Title Insurance
Insurance that you pay to protect the lender from claims on the property title.

Truth-In-Housing Inspection Report
An inspection that the seller pays for that states the condition of the house.

Truth-In-Lending Disclosure Statement
A statement from your lender stating all fees and costs of a loan using the annual percentage rate.

Underwriting
Risk analysis conducted by a lender to decide whether to approve you for the loan.

VA Loan
Low-interest, no down payment loans offered to people who served in the U.S. Military and issued from the Veterans Administration.

MAKE IT REAL
Use a REALTOR®

Your only dilemma should be where to put the sofa in **your new home...**

have a

REALTOR®

take care

of the rest.

log on to

firstmnhome.com

MAKE IT REAL
Use a REALTOR®

You've Found "The One"

After searching and looking, you, with the assistance of your REALTOR,® finally found a house that you really like. Be careful to not let your emotions get too carried away. It may be easy to fall in love with a home the second you walk through the door. If you are truly interested in the house, visit it a few times. Once you are certain that this is the house you want, it's time to make an offer.

REALTOR®