



The Key To Affordable Housing

Tips for Homebuyers: Working with Agents & Lenders

by

The Connecticut Department of Consumer Protection and
The Connecticut Housing Finance Authority

What to Know Before You Buy

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Getting Started

- * Pre-approval for mortgage
- * Decide on budget
- * Preliminary search and research on your own



Looking at Properties – The Buyer's Agent

- * Benefits
- * Interview several agents/visit offices
- * Set expectations in writing
- * Avoid agents who...
- * Written Buyer/Agency Agreement required by law



Looking at Properties – The Buyer-Agency Agreement

- * ALL TERMS AND CONDITIONS ARE NEGOTIABLE!
- * Commission (percent of sale price) is negotiable
- * Paid by Seller / Buyer / No Commission /
- * Length of contract
- * Contingencies
- * For Sale by Owner (FSBO)



The Buyer Agency Agreement

- * Sign with care
- * It is a legal and binding contract
- * NO 3-day right to cancel
- * Cannot be cancelled without the broker's written permission
- * Do not sign a “blank” contract
- * Attorney review?



Dual Agency/Designated Agency

- * Dual agency – broker and all agents in that office represent BOTH the buyer and seller
- * Designated agency – two agents within one broker's office appointed separately – one represents buyer, one represents seller
- * Be careful



Problems with Dual Agency

- * Don't sign a form agreeing to this unless there is a specific property in play
- * Potential problems
- * You have the right to your own buyer agent and are NOT required to agree to Dual Agency



Is This “the One?”

- * Buyer beware: Do your “homework”
- * Don’t rely only on information from others
 - * zoning
 - * permits
 - * title search
 - * damage



Is This “the One?” – Making an Offer

- * Reverse CMA – comparative market analysis (CMA)
- * Residential Property Condition Disclosure Report
 - * “material facts”
 - * what may or may not show up
 - * Escrow deposit --purpose and protection
 - * Contingencies
 - * Home inspection – choose your own licensed home inspector – not agent’s recommendation
 - * Environmental / well /septic
 - * mortgage



The Facts are In

- * Negotiate necessary repairs as part of any offer
 - * Options: Seller can fix, offer you credit at closing, refuse to negotiate and do nothing
- * Talk to your attorney about any concerns you have



This is the One!

- * Have your own attorney at closing
 - * Bank's attorney vs. personal attorney representation
- * Do a walk-through right before the closing to be sure repairs are made, property in good shape
 - * Issues found should be discussed and resolved by the attorneys at closing -- before final signature



Wrap-Up

- * True Stories
- * The Real Estate Guaranty Fund
- * Questions?
- * dcp.realestate@ct.gov



PREPARING FOR HOMEOWNERSHIP

Presented by:



CONNECTICUT
HOUSING FINANCE
AUTHORITY

Homeownership

Learn the steps to becoming a homeowner.

Is now the right time to buy?

What are the benefits of Homeownership?

What kinds of mortgage loan programs are available?



Homeownership

- What types of mortgages are available?
- Understanding Rates and Terms
- Preparing for Homeownership
- Qualifying for a Mortgage
- The Importance of Pre-purchase Counseling
- Onto Homeownership
- Questions/Answers



What Types of Mortgage Programs are out there?

There are many types of mortgage loan programs: CHFA, FHA, VA, Rural Development, Conventional.

There are many different types of rates and terms:

adjustable, fixed, 80/20. 10-year, 15-year, 30-year.

What does all this mean? It may seem overwhelming and confusing—especially for the first-time homebuyer.

Before determining which mortgage loan program is best for you, seek out homebuyer education classes.



Preparing for Homeownership

- Deciding if you want to become a homeowner...
 - Advantages to homeownership
 - A place of your own
 - Financial Incentives
 - Stable housing costs
 - Increased value
 - Tax benefits



Preparing for Homeownership

- Do you really want your own home?

Only you can make that decision.



Preparing for Homeownership

- Can You Afford it?
 - Analyzing your current expenses
 - Analyzing the costs of purchasing a home
 - Up-front costs
 - Down payment
 - Closing costs
 - Ongoing costs
 - Monthly mortgage payment



Preparing for Homeownership

- Can You Afford it? (Cont'd)
 - How Expensive a home can you afford?
 - General Rule: 2 ½ times your annual salary
 - Your Down payment
 - Define your borrowing power
 - Your existing earnings and debts will determine how much house you can afford



ANALYZE YOUR CURRENT EXPENSES

Housing

Transportation

Food

Insurance

Medical

Childcare

Clothing

Donations

Gifts

Personal

Entertainment

Miscellaneous

Debts

Other



WHAT IF.....

You have no credit rating

You have poor credit

Your credit report is incorrect



WHAT IF.....

No Established Credit

Landlord reference

Utility payment history

Cable/Phone bill history

Poor Credit

Credit counseling agencies available

Individual credit and financial counseling
available

Available free

Schedule of classes available at
www.chfa.org



Pre-purchase Counseling for Prospective Borrowers

If you are interested in finding out about becoming a homeowner before you begin the home-shopping process, take an 8-hour Pre-purchase Homebuyer Education class.

CHFA offers on-line counseling for its required pre-closing counseling. ALL borrowers must take a pre-closing counseling class either on-line or in person.



Pre-purchase 8 hour Counseling for Prospective Borrowers



- **Classes Cover the following topics:**
 - Are you ready for homeownership?
 - Credit and Budgeting
 - Shopping for a home
 - How to make a purchase offer
 - Getting a mortgage
 - Understanding the Mortgage Process
 - Home Maintenance
 - Managing your finances after you become a homeowner



GENERAL GUIDELINES

QUALIFYING RATIOS

Typically, monthly mortgage (Principal, Interest, Taxes and Insurance) should not be more than 31% of gross monthly income – if getting downpayment assistance – no more than 33% (These ratios vary depending on mortgage insurer.)

Total Monthly Debt which includes the above and other debts (credit cards, car loans, student loans--should not be more than 43% of your gross monthly income) (FHA loans)



OTHER CONSIDERATIONS

Length and stability of employment

Insufficient income to cover mortgage
and other debts

Number of wage earners on loan



Applying for the Mortgage

- After you find a home and sign a contract to purchase, you will need to meet personally with a Participating Lender to apply for the mortgage.
- Your Lender will advise you of what paperwork you will need to bring with you. This includes:
 1. Recent paycheck stubs/Tax Returns
 2. W-2 forms
 3. Bank statements



Typical Closing Costs

- The range of cash needed to close a loan of \$100,000 is approximately between \$3,500 to \$6,000.
- Typical closing costs include:
 - Loan Origination Fee (1 point)
 - Appraisal Fee
 - Credit Report
 - Re-Inspection Fee
 - Flood Certification Fee
 - Attorney Fee
 - Title Insurance (\$4 per \$1,000)
 - Recording Fees



Typical Closing Costs, cont.

Pre-paid Interest (typically 15 days)

FHA Mortgage Insurance

VA Funding Fee

PMI Premium

Hazard Insurance Premium

Hazard Insurance Escrow

Taxes (6 to 9 months)

Mortgage Insurance Escrow (2 months)



Points and Fees

EXAMPLE:

An origination fee* equal to one percent of the loan amount (one point)

Loan amount = \$ 100,000

1% of \$100,000 = \$1,000 in points

*CHFA now has several options where you can pay reduced or no points, however the interest rate is slightly higher for .50% or 0.0% points structures.



INTEREST RATE COMPARRISON

(Principal and Interest only – taxes and insurance would increase the monthly mortgage payment)



	2.875%	3.625%	5.00%	6.50%	7.50%
\$100,000	415	456	536	632	699
\$150,000	622	684	805	958	1,049
\$200,000	830	912	1,073	1,264	1,398
\$230,000	954	1049	1,234	1,454	1,608

Onto Homeownership

- Once your lender has determined the loan amount you can borrow and your downpayment, they will determine the price range of a home.
- Finding a home that meets your needs and is within your budget is the challenge in the home search process.
- A qualified real estate broker can provide you with valuable guidance during your home search.



Home Inspection

- It is to your benefit that you hire a qualified home inspector to evaluate the home you wish to purchase.
- You will need to check the inspector's qualifications and experience.
- The inspection report will provide valuable information about the condition of the home as well as the mechanical systems.



Qualification Guidelines for CHFA

- CHFA requires that you be a first-time homebuyer or not have owned a home for the past 3 years unless purchasing in a targeted area.
- You must agree to live in the home as an owner-occupant.
- You cannot use the home as a vacation home or as an investment property.



CHFA Homebuyer Programs

- Statewide Homebuyer
- Homeownership
- Home of Your Own
- Military Homeownership
- Veterans Homeownership Pilot Program
- Police Homeownership
- Teachers Mortgage Assistance



Eligible Properties

- Existing and new single family homes
- Townhouses and Planned Unit Developments
- FHA Approved condominiums or Fannie Mae eligible condominiums.
- Two- to four-family homes that have been used as residences for the past 5 years or newly constructed two-family homes in targeted areas.



Income Limits

- Income limits are determined by household size and may vary by county. The Statewide maximum allowable income limits under HFA's Homebuyer programs are as follows:

Statewide limits:

One- and two-person household:
\$89,200

Three or more in household:
\$102,580

- Limits may be higher – check Income Limits insert



Sales Price Limits

- The home you are purchasing must be within CHFA Sales Price Limits.
- The sales price limits vary per area of State.
- Check Sales Price limits insert.
- Eligible homes for purchase include single family, 2- 4 unit multifamily or condominiums that are either FHA-approved or FannieMae eligible – depending on the mortgage insurer).



Interest Rate and Mortgage Terms

- The current interest rate for a CHFA Homebuyer Program Mortgage is 3.125% with 1 point for Government Rate and 3.375% for Non-Government with 1 point
(NOTE: This rate is subject to change weekly.)
 - The rate is fixed for a term of 30 years and the loan is paid back on a monthly basis over the 30-year term.
 - The monthly payment is comprised of principal, interest, taxes and insurance*.
- * (Both hazard insurance and mortgage insurance are escrowed.)



Downpayment and Closing Cost Assistance



- CHFA offers Downpayment Assistance Program(DAP) loans.
- If you do not have sufficient funds saved for a downpayment, you may be eligible to borrow these funds.
- Required downpayment for FHA loans is 3.5% of purchase price. A downpayment of 3% is required with the HFA Preferred program.
- You may also be able to borrow closing costs depending on your need and ability to pay back the first mortgage and the DAP second mortgage.



Downpayment and Closing Cost Assistance, cont.



- If you have savings that can be applied toward the downpayment, you must use all but \$10,000 of your funds for that purpose.
- CHFA does not look at your IRA or 401(K) accounts.
- The DAP loan is considered a second mortgage on the property and is paid to a separate entity—Connecticut Housing Investment Fund (CHIF).
- There is a \$200 application fee for the DAP loan.



Loan Process and Closing

- Generally the process from loan application to loan closing is six (6) weeks.
- Typically a lender will review the loan and collect all necessary information from you including 3 most recent years tax returns, 2 most recent paystubs, checking and savings account statements.
- The lender will send in your loan package to CHFA for review and CHFA issues a commitment to purchase the loan usually within 48-72 hours from receipt of the complete loan packet.
- The closing is scheduled upon receipt of the commitment.



Where do you apply for a mortgage?

- CHFA works with over 120 banks and mortgage companies across the state (Participating Lenders).
- You apply for a mortgage directly from one of the Participating Lenders.
- A Participating Lender will work with you and pre-approve you for a loan. They will determine the price of a home you can afford based on income and other underwriting criteria.



Take advantage of all the resources
available to help you!

Thank you for coming.

Questions???

