

Congressman

**Paul E. Kanjorski**

*Representing the 11th Congressional District of Pennsylvania*

## **HOME BUYERS' ASSISTANCE GUIDE**

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CONGRESSMAN PAUL E. KANJORSKI HAS PREPARED THIS HOME BUYERS' ASSISTANCE GUIDE FOR INFORMATIONAL PURPOSES ONLY. BEFORE MAKING ANY PURCHASING DECISIONS, YOU SHOULD CONSULT THE APPROPRIATE OFFICIALS TO CRAFT A PLAN TO MEET YOUR NEEDS.

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# HOME BUYERS ASSISTANCE GUIDE

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## Section I: Introduction

### CHAPTER 1: INTRODUCTION FROM CONGRESSMAN KANJORSKI

Home ownership is a fundamental element of the American Dream. Nevertheless, buying a home is no small task. This guide is therefore an attempt to provide you with some of the issues that you should consider before and during the home purchasing process.

As a first step, you should evaluate whether you are in a financial position that will allow you to purchase a home. Some of the steps outline in Chapter 2 of this guide will assist you in making this determination.

Not only do you need the proper amount of finances, but you also need the assistance of many professionals. Simply stated, no one can purchase a house on his or her own. You may therefore want to invest in the services of a real estate and financial professionals as well as an independent housing inspector and an independent appraiser. Their professional expertise can save you financial loss and heartache in the long run. You can find information on these various professions as well as details on the mortgage process in **Chapters 3 through 5**.

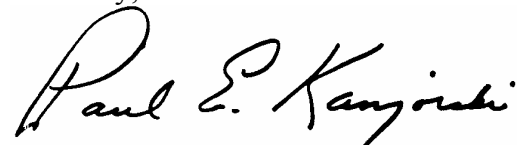
**Although not required by Pennsylvania law, you also should strongly consider seeking legal counsel in order to ensure that your best interests are represented throughout the home purchasing process.** While there are many professionals that are helpful, the risk that innocent consumers could be taken advantage of always exists. As a general rule, if a deal seems

to good to be true, you should take a step back and consider seeking legal counsel. **Chapter 5** sets forth some basic questions that you should ask yourself before signing any paperwork, but is by no means intended as a substitute for professional legal advice.

If financing your purchase emerges as a problem, you may be eligible for one of the many state and federal programs designed to assist prospective and current homeowners. You can find details on these programs in Section III of this guidebook. Finally, if in the future you run into an unexpected downturn and are unable to make your mortgage payments, realize that there are specialized programs that may help you keep your house. Some of the services available to you are discussed in Chapter 12.

This book contains basic guidelines about the home buying process and is intended for informational purposes only. Think of it as a starting point on the way to home ownership. As you move forward with this process, please feel free to contact me if you have any question, comments, or concerns.

Sincerely,



Paul E. Kanjorski  
Member of Congress



## Section II - Things to Consider

### CHAPTER 2: GETTING STARTED—ARE YOU READY TO BUY A HOME?

#### *Credit Evaluation – Obtaining Your Credit Report*

Your credit record is an important factor in the process of purchasing a home. Having a good credit record means, among other things, that you pay your rent and other bills on time. As part of the mortgage loan process, your lender will request a credit report, so it is advisable to review a copy before you meet with your lender in case there are errors.

Credit Bureaus compile a record of your debts and how you have repaid them. They gather their information from credit card companies, banks, department stores, and other firms. This information makes up your credit report.

The three main credit-reporting agencies are Equifax, Experian, and Trans Union. You can order a copy of your credit report for a nominal fee via the telephone or Internet at:

- Equifax (800) 685-1111 or [www.equifax.com](http://www.equifax.com)
- Experian (800) 682-7654 or [www.experian.com](http://www.experian.com)
- Trans Union (800) 916-8800 or [www.transunion.com](http://www.transunion.com)

***NOTE: In late 2005, these reports will be available free of charge.***

Your credit report will demonstrate how well you have paid your debts in the past. It will also assess the following: your **financial capacity** to repay your debt; your existing **capital assets**, which indicates whether you have enough money for a down payment and closing costs; and your **collateral**, which serves to protect the lender if you fail to repay the loan.

You may also want to consider contacting a credit counselor for additional assistance. Credit counselors offer advice on budgeting, obtaining and understanding credit reports, and resolving credit problems. There are two Fannie Mae credit counselors serving the 11<sup>th</sup> District of PA:

#### **Shiloh Conference**

Address: 548 Canal Street, Easton, PA 18042

Phone: (610) 252-5538

Services: Home Buyer Education, Credit, Default/Delinquency, Post-Purchase

#### **Alliance for Building Communities, Inc.**

Address: 830 Hamilton Street, Allentown, PA 18101

Phone: (610) 439-7007

Services: Home Buyer Education, Credit, Post-Purchase, Rural Housing

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## ***Making a Budget***

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A budget will help you meet your monthly bills, and therefore help your credit. It also can help increase your savings for things like a down payment on a house.

Demonstrating your ability to save and having funds on hand will help you in the mortgage approval process. Your personal savings should be sufficient to last several months should you lose your job or source of income.

### **How to Make a Budget:**

1. *Gather receipts and other records of your past spending.*
2. *Monitor your spending for a month.*
3. *Pay off all credit cards. Keep only 1 or 2 cards if possible with little or no balance.*
4. *Set your financial goals. Make a plan and stick to it.*
5. *Make budgeting a part of your regular routine.*

Once you get comfortable with a budget, you can be more flexible and make adjustments so you are spending money on things that are most important to you. Use your budget to help you stay within your means and make difficult choices. Set goals for what you can't afford today to ensure that you can afford it in the future.

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## ***Employment History***

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Your ability to make a mortgage payment on time depends on your income. You need to make sure that your employment provides a steady flow of income, and you must provide your lender with proof of your income.

### **To prove your employment history, you need:**

1. *Tax returns for the previous two years.*
2. *Pay stubs from the last 30 days (including self-employed work).*
3. *Written explanations for any loss of work.*
4. *Copies of documents or contracts that prove income.*

{Source: [http://www.bluecollardollar.com/loan\\_firststep.html](http://www.bluecollardollar.com/loan_firststep.html)}

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## ***Savings***

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While your loan will cover most of the initial costs of your house, you will need a significant amount of savings for the down payment and the closing cost.

### **Down Payment:**

- Most mortgage lenders require you to pay a portion of the down payment with documented savings.



- Your down payment can range from 3 to 20% depending what the lender requires for the mortgage you choose.
- Your lender may require you to purchase Private Mortgage Insurance (PMI) if your down payment is less than 20%.
  - PMI protects the lender if mortgage goes into default.
  - More information on PMI is available at the Freddie Mac website ([www.freddiemac.com](http://www.freddiemac.com))

### **Closing Costs:**

- Your closing costs can range from **2 to 7% of the property value** depending on the region where you live. Closing costs include:

|  |  |
|--|--|
| <ul style="list-style-type: none"> <li>○ Points</li> <li>○ Origination Fees</li> <li>○ Taxes</li> <li>○ Title</li> <li>○ Insurance.</li> </ul> | <ul style="list-style-type: none"> <li>○ Financing costs</li> <li>○ Items that you must prepay or escrow</li> <li>○ Other costs</li> </ul> |
|--|--|

- You should receive written estimates of these costs from your lender after you apply for your mortgage.

### **Funds for your down payment and your closing costs can come from:**

|   |  |
|---|--|
| <ul style="list-style-type: none"> <li>○ Saving accounts, bonuses, and commissions</li> <li>○ Mutual funds</li> <li>○ Securities</li> </ul> | <ul style="list-style-type: none"> <li>○ Proceeds from life insurance</li> <li>○ Charitable organization gift programs.</li> <li>○ Gifts from a relative (only a certain % depending on loan)</li> </ul> |
|---|--|

{Source: [http://www.freddiemac.com/homebuyers/bank/closing\\_costs.html](http://www.freddiemac.com/homebuyers/bank/closing_costs.html)}

### **How Much Can You Afford?**

One of the best ways to determine how much house you can afford to purchase is to contact your lender. As a broad generalization, most people can afford to purchase a house worth about three times their total (gross) annual income, assuming a 20% down payment and a moderate amount of other long-term debts, such as car or student loan payments. With no other debts, you can probably afford a house worth up to four or even five times your annual income. You can also use an online “calculator” to determine how much house you can afford, available at Fannie Mae’s website (<http://www.fmcales.com/tools-tcc/fanniemae/calculator>).

Lenders use guidelines to determine whether prospective homebuyers will be able to pay their monthly mortgage payments comfortably. Though flexible, the guidelines generally state that a household should spend no more than 28 percent of its income on housing expenses and no more than 36 percent of its income on total debt obligations (including the monthly mortgage payment).

## **CHAPTER 3: YOU'RE READY TO BUY A HOME—WHAT DO YOU DO FIRST?**

### ***Find a Local Real Estate Agent***

The agent or broker you choose should be in the full-time business of selling real estate and should have the following five traits: integrity, business sophistication, experience with the type of services you need, knowledge of the area where you want to live, and sensitivity to your tastes and needs.

#### **Keys to finding a real estate agent:**

- Get two or three recommendations from friends, family, co-workers and others you trust. The best referrals come from those who've recently bought or sold a home.
- Ask each agent who's been referred to you to recommend one or two people they consider top-notch agents who can fulfill your needs. It is a question the agent likely won't expect. Not only can the question provide you with others to interview, it also tests the agent's honesty and integrity.
- Don't work with an agent you meet at an open house, find in the Yellow Pages or on the Internet without thoroughly checking the agent's credentials, experience and practice.
- All states regulate and license real estate agents and brokers. Only agents who meet minimum levels of state-mandated education, training and testing are licensed. Brokers, who generally oversee agents, have more training, education and experience. Ask for proof of their license. The license offers you a layer of consumer protection should something go wrong.
- Once you've selected several real estate agents, let each know you want to interview him or her for 45 minutes to an hour.

#### **Here are some of the major issues to discuss during the interview:**

- *The number of homes the agent found for buyers and sold for seller:* Don't accept a dollar amount answer. Ask for the addresses of recent transactions. Scan the list for homes similar in price to what you can afford. Determine if the homes are in the general neighborhood or community where you are buying. If so, get the agent to talk about what you can expect for your money and the pros and cons of the neighborhood or community.
- *Listings that haven't sold:* Ask why, but don't blame the agent for homes that were overpriced and sellers who've refused to reduce the price to a fair market value.
- *Names of past clients:* Ask for names of both buyers and sellers who can provide references.

- *Financing*: Ask the agent about mortgages, including special and new loan programs, creative financing, mortgage brokers and lenders and other financial details specific to your needs. Also ask about insurance and taxes.
- *Management and communication tools*: Ask the agent to explain how he or she gets the job done. Inquire as to how often the agent will report to you on sales activity or buying leads. You'll have to determine how much is enough for you, but once a week is a minimum in a stable market. Daily check-ins could be necessary in a hot market.
- *Representation*: Will the agent act as a dual agent representing sellers with homes you may want to buy? If he or she is a buyer's agent, representing you exclusively, ask if a contract with fees is required. Also ask buyer's agents about fees in lieu of commissions, the duration of any contracts and other details.

As you ask questions and discuss your needs, consider how well the agent listens to your anxieties, fears and concerns. You want to feel that the agent cares more about your needs than collecting the commission or making a quota.

{Source: <http://www.freddiemac.com/homebuyers/house/realtor.html>}

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### ***How a Real Estate Agent Gets Paid***

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Real estate agents receive payment from the seller of the house. The seller has an agreement to pay the agent a commission of the sale upon the closing. Agents typically receive no upfront compensation. The real estate agent offers services to buyers at no charge because they work for the seller and represent the seller's interest.

{Source: <http://www.doityourself.com/realtor/agentspaid.htm>}

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### ***Find a Mortgage Lender***

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You can get a mortgage from many different sources, like mortgage banking companies, commercial banks, community banks, credit unions and other financial institutions. Mortgage brokers may be a source of information about different mortgage products available from a variety of sources.

#### **Some starting places include:**

1. *Your own bank or financial institution. Sometimes lenders can offer better mortgage terms to current customers.*
2. *Real estate professionals.*
3. *Family members, friends and coworkers.*
4. *Internet research.*
5. *Your local newspaper or the telephone book.*

## **CHAPTER 4: THE MORTGAGE PROCESS**

### **Prequalification and Preapproval**

Once you've done the basic calculations and completed a financial statement, you can ask a lender or loan broker for a prequalification letter saying that loan approval for a specified amount is likely based on your income and credit history. Prequalifying allows you to determine exactly how much you'll be able to borrow and how much you'll need for a down payment and closing costs. Many of the mortgage websites have prequalifying calculators to help with this task.

Unless you're in a very slow real estate market, with lots more sellers than buyers, you will want to do more than prequalify for a loan: You will want to be preapproved -- that is, guaranteed -- for a specific loan amount. This means a lender has already checked your credit and evaluated your financial situation, rather than simply relying on your own statement about your income and debts. Preapproval means that the lender would actually fund the loan, pending an appraisal of the property, title report and purchase contract. Having a lender preapprove you for a loan is crucial in a competitive market -- without it, you stand little chance of your offer being accepted.

### **Determining the Size of Mortgage for Which You Qualify**

Your lender will check many factors to see if you qualify for a loan.

#### **These factors include:**

- Your savings and available cash for the down payment and closing costs.
- Your employment and credit histories. (See Chapter 2)
- Your debt-to-income ratio.

#### **Debt-to-Income Ratio:**

- A typical qualifying ratio is 28/36
- Under this ratio, a household should spend no more than 28 percent of its income on housing expenses and no more than 36 percent of its income on total debt obligations (including the monthly mortgage payment).
- Find more information on debt-to-income ratio on [www.doityourself.com/mortgage/whatsizemortgage.htm](http://www.doityourself.com/mortgage/whatsizemortgage.htm)

### **Closing Issues**

The closing is the final transfer of the house to the buyer. It occurs after both the seller and the buyer have met all the terms of the contract and the deed is recorded. The event referred to as the closing frequently takes place at the office of a real estate professional who handles the transaction, such as a title officer or real estate lawyer. **These costs vary by region but generally range between 2 to 7% of the property value.**

## CHAPTER 5: YOUR APPROVED! WHAT'S NEXT?

### Home Inspection

After selecting a home that meets your needs, you should consider hiring a professional to perform a home inspection. A home inspection is an objective examination of the physical structure and systems of a home.

You should first conduct your own inspection. Ideally, you should do this before you make a formal written offer so that you can save yourself the trouble, should you find serious problems. There are several useful do-it-yourself inspection books available.

In addition to inspecting the house yourself, hire a general contractor to inspect all major house systems including:

|  |   |
|--|---|
| <ul style="list-style-type: none"> <li>○ The roof</li> <li>○ The plumbing</li> </ul> | <ul style="list-style-type: none"> <li>○ Electrical &amp; heating systems</li> <li>○ The foundation and drainage</li> </ul> |
|--|---|

This will take two or three hours and cost you anywhere from \$200 to \$500, depending on the location, size, age and type of home. Accompany the inspector during the examination so you can learn more about the maintenance and preservation of the house and get answers to any questions you may have. Depending on the property, you may want to arrange specialized inspections for pest damage; hazards from floods, earthquakes and other natural disasters; and environmental health hazards such as mold, asbestos, and lead (See Tips on Choosing a Home Inspector, below).

Professional inspections should be done after the seller accepts your written purchase offer (which should be contingent on you approving the results of one or more inspections). Be sure you get a written report of all inspections.

#### Tips on Choosing a Home Inspector

- A reliable personal recommendation is the best way to find a home inspector. As the buyer, you want someone who will be thorough and tough, not someone who is willing to overlook small problems.
- Be careful about asking your real estate agent for a referral. After all, your agent is almost surely anxious that your deal goes through and therefore may recommend an inspector not overly particular about identifying problems. Make sure your real estate agent knows you want an inspector who is especially thorough. You might also ask a real estate professional not connected with your sale whom she would hire to inspect a house she was buying.
- You can get local referrals and answers to frequently ask questions about home inspections from the American Society of Home Inspectors (ASHI) at

[www.ashi.com](http://www.ashi.com). Inspectors who are members of ASHI must pass technical exams, meet specific standards of practice and, as a condition of membership, are not permitted to do contracting work.

- You will want to get at least two or three specific bids from reliable home inspectors who have been highly recommended. You want quality work, so you don't necessarily want to accept the cheapest bid. Before finally deciding whom to hire, get several references and check the status of each individual's license and any outstanding complaints with state licensing agencies. Check with your state consumer protection agency.
- ***Be sure to ask the inspector about their liability insurance coverage, including "errors and omissions" (E & O) or malpractice insurance that covers inspector negligence.***

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### ***Independent Property Appraisal***

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If you want a second opinion on the value of the property you are purchasing, you might want to think about getting an independent property appraisal. Unlike an inspector that tells you about things that need to be fixed, a state certified appraiser gives you an objective, impartial, and unbiased opinion about the value of your potential property.

#### **Professional appraisers base the value on:**

- Market areas.
- Analysis of information pertinent to a property.

#### **How to locate a certified appraiser in Pennsylvania:**

- You can access a listing of certified appraisers in your county by visiting: <http://www.appraisers.com/usa/pennsylvania/>.
- After finding an appraiser in your area, you can verify their Pennsylvania appraisal license by entering their first and last name at this website: <http://www.licensepa.state.pa.us/default.asp>.

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### ***Title Insurance***

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Title insurance protects lenders and homeowners against loss of their interest in the property because of legal problems with your title.

#### **Two types of title insurance policies:**

- The Lender's policy protects the lender if a flaw is found in the title after the property has been purchased. This policy is mandatory.
- The Owner's policy protects you should a flaw in the title be found after closing. This policy is optional, but highly recommended.

You must purchase at least a lender policy, but if you purchase both policies, you can receive a price break. You can also save some money if you purchase a reissued title.

### **Why buy an owner's policy?**

- The title insurance company investigates and fixes any ownership problems due to deeds, wills, and trusts that contain improper information, outstanding judgments, or tax liens against property and easements.
- Title insurance offers financial protection against hidden mistakes after closing. Title insurers will negotiate with third parties and pay claims and legal fees involved in defending the title.

{Source: <http://www.alta.org/consumer/index.cfm>}

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### ***Legal Issues to Consider***

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**In order to ensure that you are protected in the homebuying process, you should strongly consider hiring a lawyer to evaluate the contract and review other proceedings related to the purchase of your home. Although hiring a lawyer is not required in the Commonwealth of Pennsylvania, the cost of a lawyer's services is well worth not having uncertainty during the biggest purchase of your life.**

Before signing a contract, you should also know the answer to legal questions about the home you are buying.

#### **Ask yourself the following questions:**

1. Are there any zoning violations on the property that will have to be corrected?
  2. Are there any environmental hazards that may be present (someone in the distant past may have dumped environmental hazards on the property so an environmental assessment should be made)?
  3. Are there any apparent conditions on the property that could potentially harm someone who happens to come on the property?
  4. Are there any restrictions or covenants in the purchase contract that would be hard to comply with?
  5. Will you be able to pay the mortgage on time?
  6. Are there any potential defects in the chain of title? Resolve these issues before you take title, interest or possession?
- 



## Section III. Federal and State Assistance Programs

### CHAPTER 6: FIRST TIME OR LOW INCOME HOME OWNERSHIP PROGRAMS

If you are a first time home buyer or a low income home buyer, then you will be pleased to learn that there are numerous state and federal programs that can help make buying a home a reality. Review the following programs to determine which benefits you qualify for. As always, it is best to review these programs with a housing counselor to determine how these programs can best be applied to your goal of home ownership.

#### **SUPPORT FROM THE FEDERAL GOVERNMENT**

#### ***U.S. Department of Agriculture – Rural Development***

##### **Section 502—Direct Loan Program**

Rural Housing Service Direct Loans are loans that are directly funded by the Federal Government. Section 502 loans are primarily used to help low-income individuals or households purchase homes in rural areas. Funds can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities.

Loan terms are 33 years for those with incomes above 60 percent of the area median income (AMI), 38 years for those below 60 percent AMI, and 30 years for manufactured homes. The interest rate and amount of subsidy are determined by family income as percentage of AMI, so that a family pays from 22 to 26 percent of their income for principal, interest, taxes, and insurance (PITI) up to an amount not exceeding the promissory note rate. There is no required down payment.

##### ***Eligibility:***

1. Applicants for direct loans from Rural Housing Service (RHS) must have very low or low incomes. Very low income is defined as below 50 percent of the area median income (AMI); low income is between 50 and 80 percent of AMI; moderate income is 80 to 100 percent of AMI.
2. Families must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. These payments are typically within 22 to 26 percent of an applicant's income.
3. Applicants must be unable to obtain credit elsewhere, yet have reasonable credit histories. Elderly and disabled persons applying for the program may have incomes up to 80 percent of AMI.

##### ***Application:***

Rural Development officials have the authority to approve most Section 502 loan requests. In order to locate the nearest official, please refer to Section VII where you will find a list of USDA Rural Development offices. Decisions on complete

applications are generally made within 30 days of the Rural Development office's receipt of the application.

***Contact Information:***

**For Lackawanna County and Luzerne County:**

*Wyoming Local Office  
One Hollowcrest Complex  
Tunkhannock, PA 18657-6632  
Phone: (570) 836-4157*

**For Carbon County and Monroe County:**

*Lehigh Local Office  
2211 Mack Blvd.  
Allentown, PA 18103-5623  
Phone: (610) 791-9810, ext. 4*

**For Columbia County:**

*Lycoming Local Office  
542 County Farm Road, Suite 205  
Montoursville, PA 17754-9685  
Phone: (570) 433-3006*

***{Source: [http://www.rurdev.usda.gov/rhs/sfh/brief\\_rhdirect.htm](http://www.rurdev.usda.gov/rhs/sfh/brief_rhdirect.htm)}***

**Section 502—Loan Guarantee Program**

Under section 502, the Loan Guarantee Program guarantees loans made by private lenders, not the government. The program is primarily used to help low-income individuals or households purchase homes in rural areas. Funds can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities.

An individual or family may borrow up to 100% of the appraised value of the home, which eliminates the need for a down payment. Loans are for 30 years. The lender sets the promissory note interest rate.

***Eligibility:***

1. Applicants for loans may have an income of up to 115% of the median income for the area.
2. Families must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance.
3. In addition, applicants must have reasonable credit histories.

***Application:***

See information under Section 502 program.

***Contact Information:***

See listing for the Section 502 program.

{*Source:* [http://www.rurdev.usda.gov/rhs/sfh/brief\\_rhguar.htm](http://www.rurdev.usda.gov/rhs/sfh/brief_rhguar.htm)}

### **Section 523—Mutual Self-help Housing Program**

The Mutual Self-Help Housing Program makes homes affordable by enabling future homeowners to work on homes themselves. With this investment in the home, or "sweat equity", each homeowner pays less for his or her home. Each qualified applicant is required to complete 65% of the work to build his or her own home.

Loans are for up to 33 years (38 for those with incomes below 60 percent of the area median income (AMI) and who cannot afford 33-year terms). The Rural Housing Service (RHS) sets the promissory note interest rate. There is no required down payment.

#### ***Eligibility:***

1. Applicants must have very low or low incomes. Very low income is defined as below 50 percent of the area median income (AMI); low income is between 50 and 80 percent of AMI.
2. Families must be without adequate housing. However, they must be able to afford the mortgage payments including principal, interest, taxes and insurance (PITI). These payments are 22 to 26 percent of an applicant's income.
3. Applicants must be unable to obtain credit elsewhere, yet have reasonable credit histories.
4. Families with very low incomes living in substandard housing are given first priority.

#### ***Application:***

See information under Section 502 program.

#### ***Contact Information:***

See listing for the Section 502 program.

{*Source:* [http://www.rurdev.usda.gov/rhs/sfh/brief\\_selfhelpsite.htm](http://www.rurdev.usda.gov/rhs/sfh/brief_selfhelpsite.htm)}

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## ***Federal Home Loan Bank of Pittsburgh***

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### **Home Buyer Equity Fund**

The Home Buyer Equity Fund (HBEF) was developed to address the funding needs of low-income homebuyers. Specifically designed for first-time buyers, HBEF provides grant assistance — provided through member financial institutions — to be used for down payment and closing costs to families at or below 80 percent of the area median income. HBEF funds can be used toward down payment and closing costs on single-family, owner-occupied units such as single-family houses,

townhouse, duplexes, condominiums and modular units. Eligible homebuyers wishing to participate must do so through an approved member financial institution

***Eligibility:***

1. Must be a first time homebuyer.
2. Complete an approved pre-homeownership counseling program.
3. Contribute funds toward down payment and closing costs.
4. Have an income at or below 80 percent of the area median income at time of application.
5. Obtain mortgage financing from the sponsoring member financial institution.

***Application:***

1. Go to [http://www.fhlf-pgh.com/housing\\_hbef.html](http://www.fhlf-pgh.com/housing_hbef.html) and download the application material (found at the top right portion of the screen).
2. Complete application and the necessary supplemental material.
3. Submit the application--only an approved FHLBank member financial institution must submit the application on behalf of the homebuyer. Send the completed application to Federal Home Loan Bank of Pittsburgh, Community Investment, 601 Grant Street, Pittsburgh, PA 15219-4455.
4. There is no deadline for submitting HBEF funding applications.

***Contact Information:***

Federal Home Loan Bank of Pittsburgh  
601 Grant Street  
Pittsburgh, PA 15219-4455  
Phone: (412) 288-3400 or toll-free at 1-800-288-3400

{*Source:* [http://www.fhlf-pgh.com/housing\\_hbef.html](http://www.fhlf-pgh.com/housing_hbef.html)}

**SUPPORT FROM THE COMMONWEALTH OF PENNSYLVANIA**

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***Pennsylvania Housing Finance Agency (PHFA)***

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**Keystone Home Loan Program**

The Keystone Home Loan Program is intended to help first time homebuyers purchase their homes. This program provides 30-year, fixed-rate home mortgage loans to first time homebuyers at lower-than-market interest rates. With small origination fees, liberal underwriting terms and year-round availability, the program has tremendous flexibility. Because the program can be used with conventional, Federal Housing Administration (FHA)-insured, Veterans Affairs (VA)-guaranteed, or Rural Housing Service (RHS)-guaranteed loans; it has been successfully adapted to changing market conditions throughout the state. Income and purchase price maximum limits apply to all loans.

***Eligibility:***

1. You are a first-time homebuyer (have not owned a home in the previous three years) OR you now own or previously owned a home but you plan to buy a house in one of the 39 Target County Areas.
2. Your current annual household income (income at time of application projected one year forward--not previous calendar year income) does not exceed the current income limit set by federal law (based upon family size).
3. The purchase price of your prospective house does not exceed the current maximum purchase price set by federal law.
4. You have an acceptable credit history and the ability to make monthly payments on the home you expect to buy. Generally, you should plan to use no more than 30 percent of your income for your monthly mortgage payment.
5. You have sufficient funds to pay a loan origination fee of one percent of the mortgage amount and a qualifying fee of \$300 (if applicable), plus other normal closing costs. Check with your lender to determine your specific costs. These fees would commonly include, such things as credit reports, appraisals, title fees, etc.
6. For FHA and Conventional loans, you have a down payment between three and five percent of the purchase price. For loans with five percent down payments, two percent may be a gift from a member of your immediate family. The remaining three percent must be verified in your bank account for at least three months. For VA (Veteran's Administration) and RHS (Rural Housing Service) loans, no down payment is required.

***Application:***

Prospective homebuyers wishing to apply for a PHFA mortgage must have a signed agreement to buy a house or a construction contract to build a house and apply at a PHFA participating lender.

***Contact Information:***

Pennsylvania Housing Finance Agency  
211 North Front Street  
Harrisburg, PA 17101  
Phone: (717) 780-3800 or toll-free at 1-800-822-1174

{**Source:** <http://www.phfa.org/programs/singlefamily/statehp.htm>}

**Keystone Home Loan PLUS Program**

The Pennsylvania Housing Finance Agency has developed the Keystone Home Loan PLUS program specifically to make owning a first home possible for lower income families. The program provides year round availability for below-market rate financing, below-market origination fees and closing cost assistance for those who meet certain eligibility requirements.

No fees are charged for these loans. Available with conventional, Federal Housing Administration (FHA), Veterans Affairs (VA), and Rural Housing Service (RHS) loans. Terms are for 30 years. Eligible borrowers under this Keystone Home Loan PLUS Program may qualify for up to \$2,000 in closing cost assistance. (For more information refer to [Closing Cost Assistance Program](#).)

***Eligibility:***

1. Borrower(s) must be a first-time homebuyer. A first-time homebuyer is any applicant who has not had an ownership interest in a principal residence within the last three (3) years.
2. Borrower(s) cannot have an ownership interest in any other real estate or business except for a business that is the borrower's primary source of income.
3. Borrower(s) must meet the definition of a family. A family consists of at least one parent and at least one child who occupy the same dwelling and are related by blood, adoption or legal guardianship. A child is a person under the age of 18 or a person over the age of 18 who is a full time undergraduate student, or has a disability that substantially impedes his or her ability to live independently.
4. A borrower may also be any person who is disabled with an impairment expected to be of continued duration, even if that person is the only household member.
5. Borrower(s) must have an acceptable credit history and the ability to make monthly mortgage payments on the home being purchased. Generally, no more than 30 percent of gross monthly income can be used for monthly mortgage payments.
6. Borrower's liquid assets after closing may not exceed \$5,000. Liquid assets are assets that can be readily converted to cash, such as checking and savings accounts, money market accounts, certificates of deposit, stocks, bonds, etc.
7. Borrower(s) with middle credit scores below 660 must attend a Pre-Closing Education Counseling Session presented by one of the agencies participating in the PHFA Counseling Network. There is no cost to the borrower for this session. A list of [Participating Counseling Agencies - PHFA Counseling Network](#) is available in Section VIII of this Guide.
8. For FHA and Conventional loans, you have a down payment between three and five percent of the purchase price. For loans with five- percent down payments, two percent may be a gift from a member of your immediate family. The remaining three- percent must be verified in your bank account for at least three months. For VA (Veteran's Administration) and RHS (Rural Housing Service) loans, no down payment is required. For more information on the various types of loans available, contact your participating lender.
9. Borrower's current annual household income (income at the time of application projected one year forward - not previous calendar year income) cannot exceed the established limits as set forth in the [income limits](#).
10. The purchase of the home cannot exceed the established limits as set forth in the purchase price limits.

***Application:***

Upon securing a sales agreement on your chosen house, the borrower will contact a PHFA approved lender of choice (PA district 11 lenders listed in Section VII) to begin application procedures.

***Contact Information:***

See PHFA contact information listed under the Keystone Home Loan Program.

{**Source:** <http://www.phfa.org/programs/singlefamily/lowinc.htm>}

### **Closing Cost Assistance Program**

The Closing Cost Assistance Program helps borrowers qualifying in the Agency's Keystone Home Loan PLUS Program meet the financial requirements of a real estate settlement. This assistance is a no-interest second mortgage that does not require repayment until the first mortgage is paid in full or the home is sold, refinanced or transferred (except transfers by inheritance or between spouses). The maximum amount of assistance will depend on the needs of the applicant. Eligible borrowers may receive as much as \$2,000.

***Eligibility:***

1. Must be a first-time homebuyer.
2. Meet all the requirements, including income and purchase price limits, of the Keystone Home Loan PLUS Program.
3. May not have liquid assets that exceed \$2,500 after closing. Liquid assets are assets that may be readily converted to cash, such as checking and savings accounts, money market accounts, certificates of deposit, stocks, bonds, etc.
4. May not have an interest in any other real estate or business except for a business that is the borrower's primary source of income.

***Application:***

Upon securing a sales agreement on your chosen house, the borrower will contact a PHFA approved lender of choice (PA district 11 lenders listed in Section VII) to begin application procedures.

***Contact Information:***

See PHFA contact information listed under the Keystone Home Loan Program.

{**Source:** <http://www.phfa.org/programs/singlefamily/cca.htm>}

### **Joint Financing Program**

This Program provides 100% financing to low income families in rural Pennsylvania who are first-time homebuyers. Funding is provided through a partnership between PHFA and the Rural Housing Service (RHS) of the United States Department of Agriculture.

***This mortgage is provided under the RHS Section 502 Payment Assistance Program and placed in second lien position. The borrower will then be directed to a PHFA lender for the processing and approval of the PHFA first mortgage.***

***Eligibility:***

1. Borrower(s) must be a first-time homebuyer. A first-time homebuyer is any applicant who has not had an ownership interest in a principal residence within the last three (3) years.
2. Borrower(s) cannot have an ownership interest in any other real estate or business except for a business that is the borrowers primary source of income.
3. Borrower(s) must meet the definition of a "family". A family consists of at least one parent and at least one child who occupy the same dwelling and are related by blood, adoption or legal guardianship. A child is a person under the age of 18 or a person over the age of 18 who is a full time undergraduate student. An eligible family may also consist of at least one parent or legal guardian and at least one person with a lingering impairment that substantially impedes his or her ability to live independently.
4. A borrower may also be any person who is disabled with an impairment expected to be of continued duration, even if that person is the only household member.
5. Current household income (income at the time of application projected one year forward - not previous calendar year income) cannot exceed the lesser of the current PHFA Keystone Home Loan PLUS or RHS limits. Income Limits, by county are available at <http://www.phfa.org/guidelines/sguide/Appendices/b.pdf>.
6. The purchase price of the home cannot exceed the lesser of the current PHFA Keystone Home Loan PLUS or RHS limits. Purchase Price Limits, by county are available at <http://www.phfa.org/guidelines/sguide/Appendices/b.pdf>.
7. The home being purchased must meet the RHS eligibility requirements.

***Application:***

To apply for this program, you should first contact the local Rural Housing Service office listed in Section VII. If you cannot locate the correct office, you may call the State Rural Housing Service office at 717-237-2186, which will direct you to the nearest local office. If you meet the eligibility requirements, the RHS office will begin processing your loan request and then refer you to a participating PHFA lender.

***Contact Information:***

See PHFA contact information listed under the Keystone Home Loan Program.

***{Source: <http://www.phfa.org/programs/singlefamily/jfp.htm>}***



## **CHAPTER 7: LOW INCOME HOME IMPROVEMENT PROGRAMS**

If you are a low income home owner who wishes to make home improvements you will be pleased to learn that several federal programs which can help make your home improvements a reality. Review the following programs to determine which benefits you qualify for. As always, it is best to review these programs with a housing counselor to determine how these programs can best be applied to your goal of home ownership.

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### ***U.S. Department of Housing and Urban Development (HUD)***

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#### **Home Improvements--Section 203(k) program**

The Section 203(k) program is the Department of Housing and Urban Development's (HUD) primary program for the rehabilitation and repair of single family properties. As such, it is an important tool for community and neighborhood revitalization and for expanding homeownership opportunities.

*Traditionally a homebuyer purchasing a house in need of repair will first obtain financing to obtain the house; additional financing for the repairs, and a permanent mortgage upon completion of the repairs. The interim financing will often involve high mortgage rates an short amortization periods.*

Under the Section 203(k) program, the borrower can get just one mortgage loan, at a long-term fixed (or adjustable) rate, to finance both the acquisition and the rehabilitation of the property. To provide funds for the rehabilitation, the mortgage amount is based on the projected value of the property with the work completed taking into account the cost of the work. To minimize the risk to the mortgage lender, the mortgage loan (the maximum allowable amount) is eligible for endorsement by HUD as soon as the mortgage proceeds are disbursed and a rehabilitation escrow account is established. At this point the lender has a fully insured mortgage loan.

#### ***Property Eligibility:***

The following criteria are used to determine which property is eligible for Section 203 (k) program.

1. The property must be a one- to four-family dwelling that has been completed for at least one year.
2. Homes that have been demolished, or will be razed as part of the rehabilitation work, are eligible provided some of the existing foundation system remains in place.
3. Can be used to convert a one-family dwelling to a two-, three-, or four-family dwelling. An existing multi-unit dwelling could be decreased to a one- to four-family unit.
4. An existing house (or modular unit) on another site can be moved onto the mortgaged property.

5. 203 (k) can be used for a “mixed use” property provided that: 1) 33 percent (for a three story building); and 49 percent (for a two story building) of its floor area used for commercial (storefront) purposes; 2) the commercial use will not affect the health and safety of the occupants of the residential property; 3) the rehabilitation funds will only be used for the residential functions and areas used to access the residential part of the property.
6. Section 203(k) mortgages can also be used for individual units in condominium projects that have been approved by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), or are acceptable to Fannie Mae.

***Improvement Eligibility:***

The following lists of improvements are eligible for consideration under HUD’s 203(k) program.

1. Structural alterations and reconstruction.
2. Changes for improved functions and modernization.
3. Elimination of health and safety hazards.
4. Changes for aesthetic appeal and elimination of obsolescence.
5. Reconditioning or replacement of plumbing.
6. Installation of Well and/or Septic System.
7. Roofing, gutters and downspouts.
8. Flooring, tiling and carpeting.
9. Energy conservation improvements.
10. Major landscape work and site improvement.
11. Improvements for accessibility to a disabled person.

***Application:***

For a list of lenders who are offering the 203(k) Rehabilitation Program, please visit <http://www.hud.gov/ll/code/llslcrit.html>.

***Contact Information:***

Department of Housing and Urban Development  
Philadelphia Regional Office, The Wanamaker Building, 100 Penn Square East  
Philadelphia, PA 19107-3380  
Phone: (215) 656-0500

***{Source: <http://www.hud.gov/offices/hsg/sfh/203k/203kabou.cfm>}***

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***U.S. Department of Agriculture – Rural Development***

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**Section 504 Home Repair Loan and Grant Program**

The Section 504 Home Repair Loan and Grant Program is designed to give very low-income rural homeowners an opportunity to make essential repairs to their homes to make them safe and to remove health hazards to the family or the community

***Eligibility:***

1. Homeowner-occupants must be unable to obtain affordable credit elsewhere and must have very low incomes, defined as below 50 percent of the area median income.
2. They must need to make repairs and improvements to make the dwelling more safe and sanitary or to remove health and safety hazards.
3. Grants are only available to homeowners who are 62 years old or older and cannot repay a Section 504 loan.

***Terms:***

Loans of up to \$20,000 and grants of up to \$7,500 are available. Loans are for up to 20 years at 1 percent interest. A real estate mortgage is required for loans of \$2,500 or more. Full title services are required for loans of \$7,500 or more. Grants may be recaptured if the property is sold in less than three years. Grant funds may be used only to pay for repairs and improvements resulting in the removal of health and safety hazards. A grant/loan combination is made if the applicant can repay part of the cost. Loans and grants can be combined for up to \$27,500 in assistance.

***Application:***

Applicants must file an application form at the USDA Rural Development field office serving the county where the dwelling is located. For a list of USDA Rural Development offices serving PA district 11, please see Section VII.

***Contact Information:***

See listing for the Section 502 program on page 13.

{**Source:** [http://www.rurdev.usda.gov/rhs/sfh/brief\\_repairloan.htm](http://www.rurdev.usda.gov/rhs/sfh/brief_repairloan.htm)}

## **CHAPTER 8: PROGRAMS FOR INDIVIDUALS WITH DISABILITIES**

If you or a family member is disabled, you will be pleased to learn that the PA Housing Finance Agency offers several programs that can help turn your home ownership or home improvement goals into reality. Review the following programs to determine which benefits you qualify for. As always, it is best to review these programs with a housing counselor to determine how these programs can best be applied to your goals.

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### **Pennsylvania Housing Finance Agency**

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#### **Access Down Payment and Closing Cost Assistance Loan Program**

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The Access Down payment and Closing Cost Assistance Program provides mortgage loans to assist persons with disabilities or who have a family member(s) living in the household with disabilities who are purchasing homes and need down payment and closing cost assistance. This program provides a deferred payment loan, with no interest. The loan becomes due and payable upon sale, transfer, refinance, payoff of the first mortgage or non-owner occupancy of the property. The Access Down payment and Closing Cost Assistance mortgage loans are interest free and have no fees.

##### ***Eligibility:***

1. Applicants must be homebuyers who are persons with a disability or have a family member(s) living in the household with a permanent disability who are purchasing a new or existing home.
2. Applicants who are purchasing a home in an area that is not eligible for HOMESTEAD may apply for this loan in conjunction with a first mortgage under the Agency's Keystone Home Loan program or Keystone Home Loan PLUS program without Closing Cost Assistance.
3. Applicants must meet all of the Agency's underwriting guidelines for the program they are applying for; Applicants who do not qualify under one of the Agency's first time homebuyer programs (i.e. Keystone Home Loan or Keystone Home Loan PLUS without Closing Cost) may qualify for the PHFA/Fannie Mae Disability Access Modification Loan Program; Applicants must also need a PHFA Access Modification loan.
4. The household income of the applicants obtaining an Access Down payment and Closing Cost Assistance loan whose first mortgage is obtained through PHFA's Keystone Home Loan program or the PHFA/Fannie Mae Disability Access Modification Loan program cannot exceed \$38,000. When obtaining a first mortgage under PHFA's Keystone Home Loan PLUS program, the applicants household income must comply with the income limits established for this program, which are lower; applicants must meet the remaining underwriting guidelines of the first mortgage.

##### ***Application:***

Applicants qualifying under the PHFA/FNMA Disability Access Modification loan program are required to complete an approved Fannie Mae Homebuyer Education program prior to closing; Borrowers must require maximum financing.

***Contact Information:***

Pennsylvania Housing Finance Agency  
211 North Front Street  
Harrisburg, PA 17101  
Phone: (717) 780-3800 or toll-free at 1-800-822-1174

{**Source:** <http://www.phfa.org/programs/singlefamily/adccalp.htm>}

### **Access Home Modification Program**

The Access Home Modification Program provides mortgage loans to assist persons with disabilities or who have a family member (s) living in the household with disabilities who are purchasing a home that needs accessibility modifications. This program provides a deferred payment loan, with no interest, and no monthly payment. The loan becomes due and payable upon payoff of the first mortgage, sale, transfer, refinance or non-owner occupancy of the property.

***Eligibility:***

1. Applicants must be homebuyers who are persons with a permanent disability or have a family member (s) living in the household with a permanent disability who are purchasing a new or existing home with a loan originated through one of the Agency's Single Family Loan Programs.
2. Applicants may apply for any of the Agency's first mortgage programs (i.e. Keystone Home Loan, Keystone Home Loan PLUS with or without Closing Cost Assistance, HOMESTEAD or the PHFA/Fannie Mae Disability Access Modification loan).
3. Applicants must meet the underwriting guidelines for the first mortgage program in which they are applying. Refer to Seller's Guide for program guidelines.
4. Applicants qualifying under the Keystone Home Loan PLUS Program with or without Closing Cost Assistance, the HOMESTEAD Program, the PHFA/Fannie Mae Disability Access Modification Loan Program, or the Two Unit Program are required to complete homebuyer education and counseling prior to closing.

***Eligible Modifications:***

Home modifications should be designed to meet the needs of the person with the physical disability that will be residing in the home. Eligible modification items may include, but are not limited to bathroom modifications; installation of grab bars and handrails; kitchen modifications; lifting devices; main level bathroom or bedroom addition; ramp addition or repair; sidewalk addition or repair; and widening doorways or hallways.

***Application:***

Applicants are responsible for determining what accessible modifications are required. Most Local Centers for Independent Living and Area Agencies on Aging can provide technical assistance in making this determination. The applicant is to provide the lender with a proposal completed by a general contractor of choice, detailing the modification improvements that will be needed to make the home accessible. Upon completion of your application the lender will perform a preliminary review of the construction proposal.

***Contact Information:***

Pennsylvania Housing Finance Agency

211 North Front Street

Harrisburg, PA 17101

Phone: (717) 780-3800 or toll-free at 1-800-822-1174

***{Source: <http://www.phfa.org/programs/singlefamily/ahm.htm>}***

## **CHAPTER 9: VETERANS PROGRAMS**

If you or one of your family members is a qualifying veteran of the US military, you will be interested to learn that the Department of Veterans Affairs can offer assistance to help you in your goal of ownership. Review the following program to determine which benefits you qualify for. As always, it is best to review these programs with a housing counselor to determine how they can best be applied to your goals.

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### ***U.S. Department of Veterans Affairs (VA)***

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#### **VA Home Loan**

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U.S. Department of Veterans Affairs (VA) loans are available to men and women who are now in the military and to veterans with other than dishonorable discharges who meet specific eligibility rules, most of which relate to length of service. The VA doesn't make mortgage loans but guarantees part of the house loan you get from a bank, savings and loan or other private lender. If you default, the VA pays the lender the amount guaranteed and you in turn will owe the VA. This guarantee makes it easier for veterans to get favorable loan terms with a low down payment.

#### ***Eligibility:***

VA loans are available to men and women who are now in the military and to veterans with other than dishonorable discharges, who meet specific eligibility rules, most of which relate to length of service.

VA determines your eligibility and, if you are qualified, VA will issue you a certificate of eligibility to be used in applying for a VA loan. Eligibility applications can involve:

1. An original determination of eligibility for the home loan benefit.
2. A request to replace a lost certificate of eligibility.
3. A request for restoration of the benefit after payment in full of a previous VA home loan.
4. Issuance of a certificate reflecting a current outstanding loan for refinance purposes.

#### ***Application:***

1. Apply for a Certificate of Eligibility

**NOTE:** A veteran who doesn't have a certificate can obtain one easily by completing [VA Form 26-1880, Request for a Certificate of Eligibility for VA Home Loan Benefits](#) and submitting it to one of our [Eligibility Centers](#) with copies of your most recent discharge or separation papers covering active military duty since September 16, 1940, which show active duty dates and type of discharge.

2. Decide on a home the buyer wants to buy and sign a purchase agreement
3. Order an appraisal from VA. (Usually the lender does this).  
Most VA regional offices offer a "speed-up" telephone appraisal system. Call the local VA office for details.

4. Apply to a mortgage lender for the loan.

**NOTE:** *While the appraisal is being done, the lender (mortgage company, savings and loan, bank, etc.) can be gathering credit and income information. If the lender is authorized by VA to do automatic processing, upon receipt of the VA or LAPP appraised value determination, the loan can be approved and closed without waiting for VA's review of the credit application. For loans that must first be approved by VA, the lender will send the application to the local VA office, which will notify the lender of its decision.*

**Contact Information:**

VA Loan Eligibility Center  
PO Box 20729  
Winston-Salem, NC 27120  
Phone: 1-800-244-6711

{Source: <http://www.homeloans.va.gov/>}



## Section IV: Predatory Lending Warning Signs

### CHAPTER 10: WHAT IS PREDATORY LENDING?

Predatory lending involves home mortgages, mortgage refinancing, home equity loans, and home repair loans with unjustifiably high interest rates, excessive fees, balloon payments, prepayment penalties, and the imposition of other unreasonable and sometimes fraudulent terms. These loans often strip away wealth that may have taken homeowners a lifetime to accumulate.

Lender fraud is a major problem in the United States, especially to first time homeowners who are inexperienced with the process. One of the first things that a borrower can do to protect themselves is learn their rights.

The questions below are a good way for you to know if someone could be misleading you about a loan and its costs to you. Just because you answer "yes" to these questions does not mean you are or have been a victim of predatory lending. But, if you answer "yes" to some of the questions, we recommend you contact the Pennsylvania Department of Banking. You can find their contact information in this chapter under the **Report Abusive Lending** section.

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#### *Ten Warning Signs of Predatory Lending*

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The following are some key question to consider:

1. Were you encouraged to include false information on your loan application?
2. Were you asked to leave signature lines or any other important line-items blank on any forms? Did the lender or broker alter any information you entered on your loan application?
3. Did your lender leave any of the following disclosures from your loan file?
  - *Good Faith Estimate*
  - *Special Information Booklet*
  - *Truth in Lending*
  - *HUD-1 Settlement Statement*
4. Have you refinanced your loan several times, and in each instance increased either your monthly payment and/or the total amount you owe on your home?
5. Do your documents reveal that your interest rate calculation will change to require you to pay "daily interest" in instances when your payments are late?
6. Is your loan amount on the loan you obtained higher than the value of the home?
7. Did you incur any unexpected costs at settlement that were not explained to you prior to the settlement?
8. After settlement, were you surprised to find that the monthly payments on your mortgage loan were higher than you anticipated based on the initial disclosures?

9. If you have a balloon loan (one in which after a series of low payments the entire loan balance is due in a large lump sum), will you need to obtain another loan to finance that final lump-sum amount?
10. Were you required to buy credit insurance, insurance that will repay the debt if you die or become disabled? (Note: Credit insurance is optional and will not affect your loan decision if you decline to buy it. It can, however, add considerable cost to the loan transaction. You should decide whether you are going to purchase credit insurance carefully).

{**Source:** [http://www.home-mortgage-loan-refinancing.com/mortgage\\_fraud\\_2.htm](http://www.home-mortgage-loan-refinancing.com/mortgage_fraud_2.htm)}

### **To Report Predatory Lending Abuses**

If you think that you may be a victim of predatory lending, please contact Pennsylvania's enforcement agency:

**Pennsylvania Department of Banking**  
**333 Market Street**  
**16th Floor**  
**Harrisburg, PA 17101-2290**  
**1-800-PA BANKS (PA only) / (717) 787-1854 / (717) 787-8773**

If you are a resident of **Monroe County** and you have more questions regarding problems with your loan, call the Pennsylvania Homeowner Hotline at 1-888-472-0456. Open Monday through Saturday, the Hotline will put you in contact with a live representative from the PA Department of Banking.

### **For More Information on Predatory Lending Visit:**

- <http://www.hud.gov/offices/hsg/sfh/buying/loanfraud.cfm>
- <http://www.dre.ca.gov/predatory.htm>
- <http://www.freddiemac.com/corporate/initiatives/protection/predlend.html>

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## **CHAPTER 11: UNDERSTANDING YOUR RIGHTS TO FAIR LENDING**

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### ***The Borrowers Bill of Rights***

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1. A borrower has the right to clear and forthright explanations of the terms and conditions of a loan.
2. A borrower has the right to timely and truthful disclosures regarding the rates and costs of the loan.
3. A borrower has the right to accurate disclosure of final annual percentage rate and amount of regular payments at the time of the loan closing/settlement.
4. A borrower has the right to obtain credit counseling prior to closing on the loan.
5. A borrower has the right to have a lender consider a borrower's ability to repay the loan before such credit is extended.
6. A borrower should receive an identifiable benefit when charged a fee or a higher interest rate to refinance a loan.
7. A borrower has the right to not be subject to a requirement that he or she finance any portion points or fees.
8. A borrower has the right to decline credit insurance in connection with a loan.
9. A borrower has the right to a fair and equitable resolution to any disputes related to their loan.
10. A borrower has the right to have favorable information reported to credit bureaus on a timely basis.

***{Source: [http://www.home-mortgage-loan-refinancing.com/mortgage\\_fraud\\_2.htm](http://www.home-mortgage-loan-refinancing.com/mortgage_fraud_2.htm)}***



## Section V: Foreclosure

### CHAPTER 12: WHAT TO DO WHEN FACING FORECLOSURE

Once you're in your new home, you'll need to make your monthly mortgage payments each month and on time. If you don't make your mortgage payments over a period of time, your mortgage lender can foreclose on your house. Foreclosure means that the lender takes the title to your property for nonpayment and sells the property to recover the amount you owe the lender. As a result of foreclosure, you would no longer be able to live in your house and you would lose all of the equity you held in your home including your down payment.

If this happens, the foreclosure becomes part of your credit record. This may adversely affect your ability to secure credit in the future. Be sure that you understand the serious commitment you are undertaking when you decide to buy a home.

#### **Important Guidelines Regarding a Foreclosure:**

1. **DO NOT IGNORE THE LETTERS FROM YOUR LENDER.** If you are having problems making your payments, call or write to your lender's Loss Mitigation Department without delay. Explain your situation. Be prepared to provide them with financial information, such as your monthly income and expenses. Without this information, they may not be able to help.
2. Stay in your home for now. You may not qualify for assistance if you abandon your property.
3. Contact a housing counseling agency. (See Section VIII of this guide.)

After taking the above steps, there are several alternatives to foreclosure that you may qualify for. Your lender will determine which alternative you qualify for, but a housing counseling agency may also be of assistance in helping determine which plan best fits your needs.

#### **Foreclosure Alternatives:**

1. *Special Forbearance:* Your lender may be able to arrange a repayment plan based on your financial situation and may even provide for a temporary reduction or suspension of your payments. You may qualify for this if you have recently experienced a reduction in income or an increase in living expenses. You must furnish information to your lender to show that you would be able to meet the requirements of the new payment plan.
2. *Mortgage Modification:* You may be able to refinance the debt and/or extend the term of your mortgage loan. This may help you catch up by reducing the monthly payments to a more affordable level. You may qualify if you have recovered from a financial problem and can afford the new payment amount.
3. *Partial Claim:* Your lender may be able to work with you to obtain a one-time payment from the FHA-Insurance fund to bring your mortgage current. You may

qualify for a partial claim if your loan is at least 4 months delinquent but no more than 12 months delinquent; you are able to begin making full mortgage payments. When your lender files a Partial Claim the U.S. Department of Housing and Urban Development will pay your lender the amount necessary to bring your mortgage current. You must execute a Promissory Note, and a Lien will be placed on your property until the Promissory Note is paid in full. The Promissory Note is interest-free and is due when you pay off the first mortgage or when you sell the property.

4. *Pre-foreclosure Sale*: This will allow you to avoid foreclosure by selling your property for an amount less than the amount necessary to pay off your mortgage loan. You may qualify for a Pre-foreclosure Sale if the loan is at least 2 months delinquent; you are able to sell your house within 3 to 5 months; and a new appraisal (that your lender will obtain) shows that the value of your home meets HUD program guidelines.
5. *Deed-in-Lou of Foreclosure*: As a last resort, you may be able to voluntarily "give back" your property to the lender. This won't save your house, but it is not as damaging to your credit rating as a foreclosure. You may qualify for a Deed-in-Lou of Foreclosure if you are in default and don't qualify for any of the other options; your attempts at selling the house before foreclosure were unsuccessful; and you don't have another FHA mortgage in default.

## **CHAPTER 13: FEDERAL & STATE ASSISTANCE IN PREVENTING FORECLOSURE**

If you believe that you are in danger of foreclosure you may want to consider the Homeowner Emergency Mortgage Assistance Program offered by the PA Housing Finance Agency. You should also contact a housing counselor to better determine your needs and options.

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### ***Pennsylvania Housing Finance Agency***

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#### **Homeowner Emergency Mortgage Assistance Program (HEMAP)**

***Purpose:***

HEMAP is a loan program designed to protect citizens who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. HEMAP provides short-term, temporary funding to cure loan delinquencies, by providing mortgage payments to lenders on behalf of qualifying homeowners for up to 24 months. Assistance must be repaid.

***Eligibility:***

1. Homeowners must have received an Act 91 Notice from their lender informing them of their delinquent status and advising them that help may be available through the program.
2. Applicants must be suffering financial hardship through no fault of their own and be at least sixty days delinquent on monthly mortgage payments
3. Applicants must be occupants and owners of the home in foreclosure.
4. Applicants must be able to demonstrate reasonable prospects of being able to resume normal mortgage payments after assistance ends.
5. The HEMAP loan may not exceed \$60,000.00, nor may it exceed 24 months of assistance
6. HEMAP can have no less than a third lien position.

***Application:***

The application process takes about four months to complete. Applicants must meet with designated counseling agencies within 30 days of receiving their Act 91 Notice in order to begin application procedures. Counseling agencies prepare applications and forward information to PHFA for processing. During this period while applications are processed, foreclosure actions cease as long as the procedural time limits are met. HEMAP personnel review applications to determine loan eligibility. A decision is made within 60 days and approved applications usually move to a loan closing within 60 days after the decision. At closing, appropriate loan documents are completed and a mortgage is filed against the property. Within 15 days after the closing, a payout is made to bring delinquent mortgage payments and taxes current.





## Section VI: Mortgage Refinancing: What You Should Know

### CHAPTER 14: WHAT IS REFINANCING?

Refinancing is the process of obtaining a new mortgage with all or some portion of the proceeds used to pay off the original mortgage.

Refinancing can be a good way to reduce your monthly mortgage payments or shorten the term of your loan. However, taking out a new loan may involve costs. You may have to pay discount points, appraisal fees, and closing costs up front. Investigate all the fees associated with a new loan before you go to closing so that you make an informed decision as to whether you will save money by refinancing.

#### Homeowners refinance their mortgages for several reasons:

1. *Attractive Interest Rates*: It can make sense to obtain a new mortgage to pay off your existing mortgage if interest rates have gone down since you got your original mortgage.
2. *Switching Mortgage Type*: Some homeowners refinance in order to switch the type of mortgage they have – from variable to fixed interest rate, or vice-versa. Balloon or reset mortgages must either be paid in full or refinanced at the end of their 5- or 7-year term. We'll explain more about different types of mortgages later in this chapter.
3. *Shortening Mortgage Term*: Some homeowners pay off their original mortgage in order to take out a loan with a shorter term – thus paying less interest because the money is borrowed for a shorter period of time.
4. *"Cashing Out"*: Certain lenders will let you borrow more money than the balance on your original mortgage based on the equity you have in your home, making additional cash available for other activities or to pay off other loans.

## **CHAPTER 15: THE REFINANCING PROCESS**

Just like when you obtained your first mortgage, Information gathering is the first step towards refinancing. The rest of the process is fairly similar as well.

### **Steps to Refinancing:**

1. Talk to mortgage professionals and institutions that offer mortgages.
2. Look at current interest rates. Freddie Mac's [Weekly Mortgage Rate Survey](http://www.freddiemac.com) on their website (www.freddiemac.com) has national and regional mortgage rate information. This survey is one of the most reliable sources of mortgage rate trends used by the mortgage industry. Most lenders post their current rates in their office, in newspapers and on their websites.
3. Consider different refinancing options. Loan products can vary by:
  - Interest rate
  - Number of points
  - Term
  - Additional costs
4. Decide on the refinancing plan you want
5. Get the necessary paperwork completed

When it comes to refinancing, there are often more options available than with a first mortgage, such as cash-out refinancing and prepayment penalty mortgages.

### **Cash-out Refinancing:**

Cash-out refinancing is when the amount of your new loan is greater than the amount you owe on your current mortgage. The rest of the amount you borrow comes from the equity in your home and can be converted into cash. This option may be attractive to you if you're considering making a major purchase or want to use the money to pay for your child's education. If your interest rate increases when you get a cash-out mortgage, you may be able to deduct more interest from your taxes. Be sure to weigh the pros and cons of tapping into your home's equity. If you're interested in cash-out refinancing, talk to a mortgage professional.

### **Prepayment Penalty Mortgages:**

When searching for a first mortgage, many potential homebuyers do not get a mortgage with a prepayment penalty clause. However, a prepayment penalty mortgage may be attractive to some homeowners. Mortgages with prepayment penalties may have reduced fees or lower interest rates. Accepting a lower interest rate may make sense to you if you do not expect to prepay the loan and think that you only want to refinance once.

Before deciding on a prepayment penalty mortgage understand all the rules and restrictions associated this type of loan. See our Borrower Information Guide on Prepayment Penalty Mortgages and talk with your mortgage professional.





## Section VII: Appendix

### Approved Lenders

If you are considering any of the programs listed in Sections III through VI, then you may be interested in contacting an approved lender. An approved lender is a financial institution that has been identified by the PA Housing Finance Agency, HUD, or Fannie Mae as a reputable institution with loan programs compatible with the above-mentioned programs.

#### *PHFA — Participating Approved Lenders*

##### ***Serving Monroe County:***

|                                     |              |
|-------------------------------------|--------------|
| First Horizon Home Loan Corporation | 800-258-8518 |
| Honesdale National Bank             | 800-426-4884 |
| Mortgage America                    | 800-221-5400 |
| National City Mortgage Company      | 800-806-7681 |

##### ***Serving Carbon County:***

|                                     |              |
|-------------------------------------|--------------|
| First Horizon Home Loan Corporation | 800-258-8518 |
| Honesdale National Bank             | 800-426-4884 |
| Mortgage America                    | 800-221-5400 |

##### ***Serving Luzerne County:***

|  |              |
|--|--------------|
| Cendant Mortgage Corp                  | 717-632-5111 |
| Citizens Mortgage Corporation          | 888-801-4651 |
| Columbia County Farmer's National Bank | 570-784-4400 |
| Community Banks                        | 800-772-9868 |
| Erie Financial                         | 877-581-3743 |
| First Columbia Bank and Trust Company  | 570-387-4641 |
| First Horizon Home Loan Corp           | 888-750-0360 |
| First National Bank of Berwick         | 570-752-8929 |
| Honesdale National Bank                | 800-426-4884 |
| National City Mortgage Company         | 800-806-7681 |
| Sunbank                                | 570-286-1300 |

##### ***Serving Columbia County:***

|  |              |
|--|--------------|
| Columbia County Farmer's National Bank | 570-784-4400 |
| First Columbia Bank and Trust Company  | 570-387-4641 |
| First Federal Bank                     | 570-385-3030 |
| First National Bank of Berwick         | 570-752-8929 |
| FNB Bank, NA                           | 800-222-2547 |
| Gateway Funding Diversified            | 800-783-9333 |
| Honesdale National Bank                | 800-426-4884 |

National City Mortgage Co.

610-779-3498

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### **Department of Housing and Urban Development**

To select a HUD approved lender visit <http://www.hud.gov/ll/code/llplcrit.html>. You will be asked to submit the name of your desired lender, location of the house, type of housing program, and various other basic data. Upon submitting this information, the website will inform you which HUD approved lenders in your area meet your specific criteria.

### **Selecting a Fannie Mae Approved Lender**

A Fannie Mae-approved lender will work with you to help you find the lowest cost mortgage for which you can qualify. Fannie Mae has taken a public stance in favor of consumer rights and against any type of predatory lending. We work with lenders that advance these same rights, do not charge exorbitant fees, or steer customers to mortgages that aren't in their best interests.

Fannie Mae-approved lenders serving Pennsylvania are too numerous to be listed here but can be accessed online at:

<http://www.mortgagecontent.net/flApplication/fanniemaefindLenderResults.do>

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### **Housing Counseling Contact Information**

These agencies are valuable resources. They frequently have information on services and programs offered by Government agencies as well as private and community organizations that could help you. The housing counseling agency may also offer credit counseling. These services are usually free of charge.

Also located in this section of the appendix is contact information for service center information for USDA Rural Development and the VA's regional loan center. These service centers are similar to Housing counselors, but their assistance to you will be focused on their respective programs.

### **HUD 11<sup>th</sup> District Housing Counseling Agencies**

Use the list below or call (800) 569-4287 or (800) 877-8339 for the housing counseling agency nearest you.

#### *Serving Lackawanna County:*

**Scranton Neighborhood Housing Services, INC**  
**401 W Market St, Scranton, PA 18508**  
**[nhskl@teisprint.com](mailto:nhskl@teisprint.com)**

Type of Counseling: Pre-purchase counseling, default/ delinquency counseling, renters assistance counseling, homebuyers, post purchase counseling, marketing and outreach initiatives, home improvement and rehabilitation counseling.

*Affiliate of: Neighborhood Reinvestment Corp.*

**United Neighborhood Centers of Lackawanna County**  
**410 Olive Street, Scranton, PA 18509**  
**Phone: 570-343-8835 Fax: 570-342-3972**

Type of Counseling: Default/Foreclosure Counseling, Rental Counseling, Pre-purchase.

**Catholic Social Services**  
**400 Wyoming Avenue, Scranton, PA 18503**  
**Phone: 570-342-1295 Fax: 570-342-0985**  
**E-mail: [cssrp@epix.net](mailto:cssrp@epix.net)**

Type of Counseling: Pre-purchase Counseling, Default/Delinquency Counseling, Renters Assistance Counseling, HECM Counseling, Homebuyer Education, Post Purchase Counseling, Marketing and Outreach Initiatives, Home improvement and Rehabilitation Counseling, Displacement and Relocation Counseling  
*Affiliate of: Catholic Charities USA*

*Serving Monroe County:*

**Consumer Credit Counseling Service of NE PA**  
**411 Main Street, Suite 102 E Stroudsburg, PA 18360**  
**Phone: 570-420-8980 / Fax: 570-420-8981**  
**E-mail: [cccsnepa@ptd.net](mailto:cccsnepa@ptd.net) / Website: [www.cccsnepa.org](http://www.cccsnepa.org)**

Type of Counseling: Pre-purchase Counseling, Default/Foreclosure Counseling, HECM Counseling, Rental Counseling  
*Affiliate of: National Foundation for Consumer Credit, INC*

**USDA Rural Development 11<sup>th</sup> District Contact Information**

USDA Service Centers are designed to be a single location where customers can access the services provided by the Farm Service Agency, Natural Resources Conservation Service, and the Rural Development agencies.

*Serving Monroe County:*

Lehighon Service Center  
5664 Interchange Rd  
Lehighon, PA 18235-5114  
(610) 377-6143  
(610) 377-5549 fax

Allentown Service Center  
2211 Mack Blvd  
Allentown, PA 18103-5623  
(610) 791-9810  
(610) 395-5243 fax

*Serving Carbon County:*

Lehighon Service Center  
5664 Interchange Rd

Lehighon, PA 18235-5114  
(610) 377-6143

(610) 377-5549 fax

Allentown Service Center  
2211 Mack Blvd

*Serving Luzerne County:*

Plymouth Service Center  
911 W Main St  
Plymouth, PA 18651-2714  
(570) 779-0645 ext 3  
(570) 779-5714 fax

Allentown, PA 18103-5623  
(610) 791-9810  
(610) 395-5243 fax

Tunkhannock Service Center  
1 Hollow Crest Complex  
Tunkhannock, PA 18657-6631  
(570) 836-2490  
(570) 836-5559 fax

*Serving Columbia County:*

Bloomsburg Service Center  
702 Saw Mill Rd  
Bloomsburg, PA 17815-7727  
(570) 784-1062 ext 2  
(570) 387-7715 fax

Montoursville Service Center  
542 County Farm Rd  
Montoursville, PA 17754  
(570) 433-3905  
(570) 433-3907 fax

**PA Housing Finance Agency Comprehensive Housing Counseling Initiative**

These agencies have information on services and programs offered by Government agencies as well as private and community organizations that could help you. The housing counseling agency may also offer credit counseling. These services are usually free of charge

*Serving Monroe County:*

Alliance for Building Communities  
Jennifer Smethers  
(610) 439-7007 X15  
Pre-Closing Educational Seminar

Consumer Credit Counseling  
Service of N.E.P.A. -  
Stroudsburg Office  
Janeen Walker  
(570) 587-9163 X212  
HOPE and Pre-Closing  
Educational Seminar

Consumer Credit Counseling Service  
of Lehigh Valley, Inc.  
Al Kotch  
(610) 821-4010  
HOPE and Pre-Closing Educational  
Seminar

The Housing Development  
Corporation of NEPA  
Robert J. Delaney  
(717) 824-4803 X28  
HOPE and Pre-Closing  
Educational Seminar

*Serving Carbon County:*

Alliance for Building Communities  
Jennifer Smethers  
(610) 439-7007 X15

Consumer Credit Counseling Service  
of Lehigh Valley, Inc.  
Al Kotch



(610) 821-4010

Consumer Credit Counseling Service  
of Northeastern PA

Mike Elick  
(570) 587-9163 X219  
HOPE and Pre-Closing Educational  
Seminar

*Serving Luzerne County:*

Consumer Credit Counseling Service  
of N.E.P.A. – Hazleton Office  
Janeen Walker  
(570) 587-9163 X212

The Housing Development  
Corporation of NEPA  
Robert J. Delaney  
(717) 824-4803 X28

Consumer Credit Counseling Service  
of N.E.P.A.- Wilkes-Barre Office  
(570) 587-9163 X212

*Serving Columbia County:*

Same as Luzerne County (see above)

**Department of Veteran Affairs Regional Loan Center Serving Pennsylvania**

If you have any specific questions regarding VA Home Loan benefits you may contact the following office for program counseling.

**Department of Veterans Affairs  
Cleveland Regional Loan Center  
1240 East Ninth Street  
Cleveland, OH 44199**

**[www.vba.va.gov/ro/central/cleve/index1.htm](http://www.vba.va.gov/ro/central/cleve/index1.htm)**

**1-800-729-5772**



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**Glossary of Real Estate Terms**

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*Source: <http://www.nolo.com>*

1. **Abstract of title** – A short history of a piece of land that lists any transfers in ownership, as well as any liabilities attached to it, such as [mortgages](#).
2. **Adjustable rate mortgage (ARM)** – A [mortgage](#) loan with an [interest](#) rate that fluctuates in accordance with a designated market indicator -- such as the weekly average of one-year U.S. Treasury Bills -- over the life of the loan. To avoid constant and drastic fluctuations, ARMs typically limit how often and by how much the interest rate can vary.
3. **Adverse possession** – A means by which one can legally take another's property without paying for it. The requirements for adversely possessing property vary between states, but usually include continuous and open use for a period of five or more years and paying taxes on the property in question.
4. **Agent** – A person authorized to act for and under the direction of another person when dealing with third parties. The person who appoints an agent is called the [principal](#). An agent can enter into binding agreements on the principal's behalf and may even create liability for the principal if the agent causes harm while carrying out his or her duties.
5. **Appraisal** – A professional appraiser -- a qualified, disinterested expert -- makes an estimate by examining the property, and looking at the initial purchase price and comparing it with recent sales of similar property.
6. **Attractive nuisance** – Something on a piece of property that attracts children but also endangers their safety. For example, unfenced swimming pools, open pits, farm equipment and abandoned refrigerators have all qualified as attractive nuisances.
7. **Balloon payment** – A large final payment due at the end of a loan, typically a home or car loan, to pay off the amount your monthly payments didn't cover. Many states prohibit balloon payments in loans for goods or services that are primarily for personal, family or household use, or require the lender to let you refinance the balloon payment before forcing collection.
8. **Capital gains** – The profit on the sale of a capital asset, such as stock or real estate. If you sell your primary residence, you can exclude \$250,000 in profit from capital gains tax. A couple can exclude \$500,000.
9. **Census** – An official count of the number of people living in a certain area, such as a district, city, county, state, or nation. The United States Constitution requires the federal government to perform a national census every ten years. The census includes information about the respondents' sex, age, family, and social and economic status.
10. **Contingency** – A provision in a contract stating that some or all of the terms of the contract will be altered or voided by the occurrence of a specific event. For example, a contingency in a contract for the purchase of a house might state that if the buyer

does not approve the inspection report of the physical condition of the property, the buyer does not have to complete the purchase.

11. **Counteroffer** – The rejection of an [offer](#) to buy or sell that simultaneously makes a different offer, changing the terms in some way. For example, if a buyer offers \$5000 for a used car, and the seller replies that he wants \$5500, the seller has rejected the buyer's offer of \$5000 and made a counteroffer to sell at \$5500. The legal significance of a counteroffer is that it completely voids the original offer, so that if the seller decided to sell for \$5000 the next day, the buyer would be under no legal obligation to pay that amount for the car.
12. **Covenant** – A restriction on the use of [real estate](#) that governs its use, such as a requirement that the property will be used only for residential purposes. Covenants are found in [deeds](#) or in documents that bind everyone who owns land in a particular development.
13. **Covenants, conditions & restrictions (CC&Rs)** – The restrictions governing the use of [real estate](#), usually enforced by a [homeowners' association](#) and passed on to the new owners of property. For example, CC&Rs may tell you how big your house can be, how you must landscape your yard or whether you can have pets. If property is subject to CC&Rs, buyers must be notified before the sale takes place.
14. **Deduction** – In tax law, an amount that you can subtract from the total amount on which you owe tax. Examples of federal income tax deductions include [mortgage](#) interest, charitable contributions and certain state taxes. For example, if Aimee receives an income of \$60,000 in 1998 and pays \$12,000 in mortgage interest during that same year, she can deduct \$12,000 when she fills out her federal tax return, leaving an amount of \$48,000 upon which she must pay tax.
15. **Deed** – A document that transfers ownership of [real estate](#).
16. **Deed in lieu (of foreclosure)** – A means of escaping an overly burdensome mortgage. If a homeowner can't make the mortgage payments and can't find a buyer for the house, many lenders will accept ownership of the property in place of the money owed on the [mortgage](#). Even if the lender won't agree to accept the property, the homeowner can prepare a [quitclaim deed](#) that unilaterally transfers the homeowner's property rights to the lender.
17. **Defeasance** – A clause in a deed, lease, will or other legal document that completely or partially negates the document if a certain condition occurs or fails to occur. Defeasance also means the act of rendering something null and void. For example, a will may provide that a gift of property is defeasable -- that is, it will be void -- if the beneficiary fails to marry before the willmaker's death.
18. **Disclosure** – The making known of a fact that had previously been hidden; a revelation. For example, in many states you must disclose major physical defects in a house you are selling, such as a leaky roof or potential flooding problem.
19. **Dominant tenement** – Property that carries a right to use a portion of a neighboring property. For example, property that benefits from a beach access trail across another property is the dominant tenement.

20. **Down payment** – A lump sum cash payment paid by a buyer when he or she purchases a major piece of property, such as a car or house. The buyer typically takes out a loan for the balance remaining, and pays it off in monthly installments over time.
21. **Easement** – A right to use another person's [real estate](#) for a specific purpose. The most common type of easement is the right to travel over another person's land, known as a right of way. In addition, property owners commonly grant easements for the placement of utility poles, utility trenches, water lines or sewer lines. The owner of property that is subject to an easement is said to be "burdened" with the easement, because he or she is not allowed to interfere with its use. For example, if the deed to John's property permits Sue to travel across John's main road to reach her own home, John cannot do anything to block the road. On the other hand, Sue cannot do anything that exceeds the scope of her easement, such as widening the roadway.
22. **Easement by prescription** – A right to use property, acquired by a long tradition of open and obvious use. For example, if hikers have been using a trail through your backyard for ten years and you've never complained, they probably have an easement by prescription through your yard to the trail.
23. **Effluxion of time** – The normal expiration of a lease due to the passage of time, rather than due to a specific event that might cause the lease to end, such as destruction of the building.
24. **Egress** – An exit, or the act of exiting.
25. **Eminent domain** – The power of the federal or state government to take private property for a public purpose, even if the property owner objects.
26. **Encroachment** – The building of a structure entirely or partly on a neighbor's property. Encroachment may occur due to faulty surveying or sheer obstreperousness on the part of the builder. Solutions range from paying the rightful property owner for the use of the property to the court-ordered removal of the structure.
27. **Fixed rate mortgage** – A mortgage loan that has an interest rate that remains constant throughout the life of the loan, so that the amount you pay each month remains the same over the entire mortgage term, typically 15, 20 or 30 years.
28. **For sale by owner (FSBO)** – Selling your house without a real estate broker. Doing so can save you a commission but requires that you devote time and energy not only to marketing and showing the house but also to learning and following the legal rules controlling sales of real estate in your area. The acronym, FSBO is pronounced "fizzbo."
29. **Foreclosure** – The forced sale of real estate to pay off a loan on which the owner of the property has defaulted.
30. **Forfeiture** – The loss of property or a privilege due to breaking a law. For example, a landlord may forfeit his or her property to the federal or state government if the landlord knows it is a drug-dealing site but fails to stop the illegal activity.

31. **Grant deed** – A deed containing an implied promise that the person transferring the property actually owns the title and that it is not encumbered in any way, except as described in the deed. This is the most commonly used type of deed.
32. **Home warranty** – A service contract that covers a major housing system – for example, plumbing or electrical wiring--for a set period of time from the date a house is sold. The warranty guarantees repairs to the covered system and is renewable.
33. **Homeowners' association** – An organization comprising neighbors concerned with managing the common areas of a subdivision or condominium complex. These associations take on issues such as salting and sanding a subdivision when it snows and collecting dues from residents. The homeowners' association is also responsible for enforcing any covenants, conditions & restrictions that apply to the property.
34. **Homestead** – (1) The house in which a family lives, plus any adjoining land and other buildings on that land. (2) Real estate that is not subject to the claims of creditors as long as it is occupied as a home by the head of the household. After the head of the family dies, homestead laws often allow the surviving spouse or minor children to live on the property for as long as they choose. (3) Land acquired out of the public lands of the United States.
35. **House closing** – The final transfer of the ownership of a house from the seller to the buyer, which occurs after both have met all the terms of their contract and the deed has been recorded.
36. **Housing and Urban Development (HUD)** – The U.S. Department of Housing and Urban Development. This is the agency responsible for enforcing the federal Fair Housing Act.
37. **Incidents of ownership** – Any control over property. If you give away property but keep an incident of ownership--for example, you give away an apartment building but retain the right to receive rent--then legally, no gift has been made. This distinction can be important if you're making large gifts to reduce your eventual estate tax.
38. **Ingress** – An entrance, or the act of entering.
39. **Invitee** – A business guest, or someone who enters property held open to members of the public, such as a visitor to a museum. Property owners must protect invitees from dangers on the property.
40. **Joint tenancy** – A way for two or more people to share ownership of real estate or other property. When two or more people own property as joint tenants and one owner dies, the other owners automatically own the deceased owner's share. For example, if a parent and child own a house as joint tenants and the parent dies, the child automatically becomes full owner. Because of this right of survivorship, no will is required to transfer the property; it goes directly to the surviving joint tenants without the delay and costs of probate.
41. **Lease** – An oral or written agreement (a contract) between two people concerning the use by one of the property of the other. A person can lease real estate (such as an apartment or business property) or personal property (such as a car or a boat). A lease should cover basic issues such as when the lease will begin and end, the rent or other

costs, how payments should be made, and any restrictions on the use of the property. The property owner is often called the "lessor," and the person using the property is called the "lessee."

42. **Lease option** – A contract in which an owner leases her house (usually for one to five years) to a tenant for a specific monthly rent, and which gives the tenant the right to buy the house at the end of the lease period for a price established in advance.
43. **Lien** – The right of a secured creditor to grab a specific item of property if you don't pay a debt. Liens you agree to are called security interests, and include mortgages, home equity loans, car loans and personal loans for which you pledge property to guarantee repayment. Liens created without your consent are called nonconsensual liens, and include judgment liens (liens filed by a creditor who has sued you and obtained a judgment), tax liens and mechanics liens (liens filed by a contractor who worked on your house but wasn't paid).
44. **Life tenant** – One who has a life estate in real property.
45. **Limited equity housing** – An arrangement designed to encourage low-and moderate-income families to purchase housing, in which the housing is offered at an extremely favorable price with a low down payment. The catch is that when the owner sells, she gets none of the profit if the market value of the unit has gone up. Any profit returns to the organization that built the home, which then resells the unit at an affordable price.
46. **"Lis pendens"** – (1) Latin for "a suit pending." The term may refer to any pending lawsuit. (2) A written notice that a lawsuit has been filed concerning real estate, involving either the title to the property or a claimed ownership interest in it. The notice is usually filed in the county land records office. Recording a lis pendens against a piece of property alerts a potential purchaser or lender that the property's title is in question, which makes the property less attractive to a buyer or lender. After the notice is filed, anyone who nevertheless purchases the land or property described in the notice takes subject to the ultimate decision of the lawsuit.
47. **Loan broker** – A person who specializes in matching homebuyers with appropriate mortgage lenders. For a fee--often paid by the lender--a loan broker provides any easy and effective way to find the cheapest mortgage rates.
48. **Mechanic's lien** – A legal claim placed on real estate by someone who is owed money for labor, services or supplies contributed to the property for the purpose of improving it. Typical lien claimants are general contractors, subcontractors and suppliers of building materials. A mechanics' lien claimant can sue to have the real estate sold at auction and recover the debt from the proceeds. Because property with a lien on it cannot be easily sold until the lien is satisfied (paid off), owners have a great incentive to pay their bills.
49. **Mortgage** – A loan in which the borrower puts up the title to real estate as security (collateral) for a loan. If the borrower doesn't pay back the debt on time, the lender can foreclose on the real estate and have it sold to pay off the loan.

50. **Multiple listing service (MLS)** – A computer-based service that provides real estate professionals with detailed listings of most homes currently on the market. The public can now obtain much of the information through websites like [www.realtor.com](http://www.realtor.com).
51. **Nuisance** – Something that interferes with the use of property by being irritating, offensive, obstructive or dangerous. Nuisances include a wide range of conditions, everything from a chemical plant's noxious odors to a neighbor's dog barking.
52. **Offer** – A proposal to enter into an agreement with another person. An offer must express the intent of the person making the offer to form a contract, must contain some essential terms--including the price and subject matter of the contract--and must be communicated by the person making the offer. A legally valid acceptance of the offer will create a binding contract.
53. **Ordinance** – A law adopted by a town or city council, county board of supervisors or other municipal governing board. Typically, local governments issue ordinances establishing zoning and parking rules and regulating noise, garbage removal, and the operation of parks and other areas that affect people who live or do business within the locality's borders.
54. **Private mortgage insurance (PMI)** – Insurance that reimburses a mortgage lender if the buyer defaults on the loan and the foreclosure sale price is less than the amount owed the lender (the mortgage plus the costs of the sale). A homebuyer who makes less than a 20% down payment may have to purchase PMI.
55. **Quiet enjoyment** – The right of a property owner or tenant to enjoy his or her property without interference. Disruption of quiet enjoyment may constitute a nuisance. Leases and rental agreements often contain a "covenant of quiet enjoyment," expressly obligating the landlord to see that tenants have the opportunity to live undisturbed.
56. **Quitclaim deed** – A deed that transfers whatever ownership interest the transferor has in a particular property. The deed does not guarantee anything about what is being transferred, however. For example, a divorcing husband may quitclaim his interest in certain real estate to his ex-wife, officially giving up any legal interest in the property.
57. **Real estate** – Land and the property permanently attached to it, such as buildings, houses, stationary mobile homes, fences and trees. In legalese, real estate is also called real property.
58. **Real estate agent** – A foot soldier of the real estate business who shows houses and does most of the other nitty-gritty tasks associated with selling real estate. An agent must have a state license and be supervised by a real estate broker.
59. **Real estate broker** – A real estate professional one-step up from a real estate agent. A broker has more training and can supervise agents.
60. **Real property** – Another term for real estate. It includes land and things permanently attached to the land, such as trees, buildings, and stationary mobile homes. Anything that is not real property is termed personal property.



61. **Right of survivorship** – The right of a surviving joint tenant to take ownership of a deceased joint tenant's share of the property.
62. **Rollover** – A delayed tax that allows you to apply the profit you make selling your old house to pay for the new one without paying capital gains taxes on the profit. In order to rollover the profits, the new house must be more expensive than the old and the two sales must occur within two years of each other.
63. **“Running with the land”** – A phrase used in property law to describe a right or duty that remains with a piece of property no matter who owns it. For example, the duty to allow a public beach access path across waterfront property would most likely pass from one owner of the property to the next.
64. **Servient tenement** – Property that is subject to use by another for a specific purpose. For example, a beachfront house that has a public walkway to the beach on its premises would be a servient tenement.
65. **Setback** – The distance between a property boundary and a building. The law usually requires a minimum setback.
66. **Shared equity mortgage** – A home loan in which the lender gets a share of the equity of the home in exchange for providing a portion of the down payment. When the home is later sold, the lender is entitled to a portion of the proceeds.
67. **Short sale (of house)** – A sale of a house in which the proceeds fall short of what the owner still owes on the mortgage. Many lenders will agree to accept the proceeds of a short sale and forgive the rest of what is owed on the mortgage when the owner cannot make the mortgage payments. By accepting a short sale, the lender can avoid a lengthy and costly foreclosure, and the owner is able to pay off the loan for less than what he owes. See also deed in lieu (or foreclosure).
68. **Spite fence** – An unsightly fence erected for no other purpose than to irritate a neighbor. Such a fence may be illegal under local fence height and appearance regulations or state laws that specifically bar spite fences. Even if it doesn't violate regulation or laws, the fence may still be illegal if it was built with malicious intent.
69. **Succession** – The passing of property or legal rights after death. The word commonly refers to the distribution of property under a state's interstate succession laws, which determine who inherits property when someone dies without a valid will. When used in connection with real estate, the word refers to the passing of property by will or inheritance, as opposed to gift, grant, or purchase.
70. **Tenancy by the entirety** – A special kind of property ownership that's only for married couples. Both spouses have the right to enjoy the entire property, and when one spouse dies, the surviving spouse gets title to the property (called a right of survivorship).
71. **Tenancy in common** – A way two or more people can own property together. Each can leave his or her interest upon death to beneficiaries of his choosing instead of to the other owners, as is required with joint tenancy. Also, unlike joint tenancy, the ownership shares need not be equal. In most states, each tenant in common may encumber only his share of the property, so that the other share is debt-free. In some

states, two people are presumed to own property as tenants in common unless they've agreed otherwise in writing

72. **Tenant** – Anyone, including a corporation, who rents real property, with or without a house or structure, from the owner (called the landlord). The tenant may also be called the "lessee."
73. **Title** – Evidence of ownership of real estate.
74. **Title company** – A company that issues title insurance.
75. **Title insurance** – Insurance issued by a title company that protects a property owner against loss if it is later discovered that title is imperfect.
76. **Trust deed** – The most common method of financing real estate purchases in California (most other states use mortgages). The trust deed transfers the title to the property to a trustee -- often a title company -- who holds it as security for a loan. When the loan is paid off, the title is transferred to the borrower. The trustee will not become involved in the arrangement unless the borrower defaults on the loan. At that point, the trustee can sell the property and pay the lender from the proceeds.
77. **Usufruct** – The right to use property -- or income from property -- that is owned by another.
78. **Variance** – An exception to a zoning ordinance, usually granted by a local government. For example, if you own an oddly shaped lot that could not accommodate a home in accordance with your city's setback requirement, you could apply at the appropriate office for a variance allowing you to build closer to a boundary line.
79. **View ordinance** – A law adopted by some cities or towns with desirable vistas -- such as those in the mountains or overlooking the ocean -- that protects a property owner from having his or her view obstructed by growing trees. View ordinances don't cover buildings or other structures that may block views.
80. **Warranty deed** – A seldom-used type of deed that contains express assurances about the legal validity of the title being transferred.
81. **Zoning** – The laws dividing cities into different areas according to use, from single-family residences to industrial plants. Zoning ordinances control the size, location, and use of buildings within these different areas.

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### ***Additional Sources of Information***

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| ◆ <a href="http://www.freddiemac.com">www.freddiemac.com</a> | ◆ <a href="http://www.nolo.com">www.nolo.com</a>                  |
| ◆ <a href="http://www.hud.gov">www.hud.gov</a>               | ◆ <a href="http://www.va.homeloan.gov">www.va.homeloan.gov</a>    |
| ◆ <a href="http://www.phfa.gov">www.phfa.gov</a>             | ◆ <a href="http://www.fhlbanks.com/">http://www.fhlbanks.com/</a> |
| ◆ <a href="http://www.fanniema.com">www.fanniema.com</a>     |   |

