PHFA

PENNSYLVANIA HOUSING FINANCE AGENCY

Homebuyer Workbook

The Pennsylvania Housing Finance Agency takes great pride in helping Commonwealth citizens become homeowners. The information we provide in our various publications, through our counseling network, at participating lending institutions, and on our Web site is designed to take a little of the mystery out of what can sometimes be a complicated process. Good luck with your efforts.

Brian A. Hudson, Sr.
PHFA Executive Director
& Chief Executive Officer

PHFA
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Homeownership

Introduction

The Pennsylvania Housing Finance Agency, a public corporation of the Commonwealth created in 1972, began its Homeownership Program in 1982. To date, almost 150,000 families have successfully used Agency-financed mortgage loans to buy their homes.

Not only does the Homeownership Program help qualified buyers purchase homes, it also stimulates the economy by creating thousands of jobs, thereby contributing millions of dollars in wages and enhancing local tax bases.

All mortgage loans for this program are financed from the proceeds of tax-exempt bond sales to investors across the nation. No state or federal tax dollars are used. Because these bonds are tax-exempt, the Federal government sets the requirements of the program. These requirements include maximum purchase prices, income limits, and first-time homeowner requirements (although some buyers who currently own a home may also be eligible).

This Homebuyer Workbook will introduce you to the Agency and guide you in selecting a home and applying for a mortgage loan. You may also wish to make an appointment with a homeownership counseling agency. PHFA will pay for you to attend a workshop or up to four hours of one-on-one counseling. Visit the ‘Homebuyers’ section at www.phfa.org or call 1.800.822.1174 for the name of an agency in your area or for more information about PHFA’s programs.

Budgeting

Budgeting is planning. It entails setting aside specific amounts of your earnings, usually on a monthly basis. These funds are used to pay bills, to buy food and other items, and to build up reserves for future events and unexpected expenses. A budget is necessary if you are to control your finances. A well-planned budget can tell you quickly if there is a problem, thus preventing future troubles with your creditors.

Your mortgage payment will be a small budget in itself since you will be paying for property taxes and insurance in your total monthly mortgage payment. Your mortgage payment is only one of the many expenses included in your overall budget. Some of the other expenses you are budgeting for include: food, electricity, heat, telephone, transportation, daycare, clothing, water, sewer, trash, car payments, bank/finance company loans, credit cards, lines of credit, and life and auto insurance.

The difficult part of budgeting is setting aside sufficient income to cover expenses for items such as unexpected doctor and dentist visits, entertainment, and other miscellaneous expenditures.

After you add up the amounts for all these items and subtract the total from your monthly income, there should be money left over to put away for property maintenance, repairs, and improvements.

Since you cannot know in advance what problems will occur or when, how much should you budget? A reasonable figure may be $30 to $50 per month. It is your budget; you make the decision that is correct based on your monthly income. What is saved can be used to pay a contractor or supplier when repairs to your home are needed. You should also consider setting aside money for the future—weddings, college, vacation, and retirement.

If your anticipated expenses are close to or exceed your total monthly income, you may be concerned that it might not be possible for you to become a homeowner. We suggest you talk to your banker, real estate agent, counselor, or someone else you have confidence in and who understands budgets. It is better to find out now rather than later.

Budgeting is a continuous process. The principal and interest portion of your monthly payment will remain the same throughout the term of your mortgage. Due to increases or decreases in real estate taxes and homeowners insurance premiums, your total monthly payment could change.

A budget is a good tool to help you fulfill your dream. Homeownership is demanding, but the rewards are worthwhile.

What it Means to be a Homeowner

The responsibilities you will have as a homeowner are a major consideration for you. As a renter, if the roof in your apartment leaked or there was an electrical or a plumbing problem, you called the landlord who arranged to have the problem fixed. There will be no landlord to call if problems arise in *your* home. You must make the repairs or pay a contractor to do the repairs for you.

As a condition of your mortgage, you are required to keep your home well maintained and in good repair. Its value may decrease if you are negligent in doing this. If the property needs painting, paint it. Keep the outside appearance acceptable to the public. Keep all plumbing, heating, and electrical systems in proper working order.

There are financial advantages homeowners have that are not available to renters. You may deduct mortgage interest paid and real estate taxes on your federal income tax return each year. Plus, as your home appreciates in value and you pay down the amount owed on your mortgage, you will accumulate equity in your home (the amount you would profit upon selling your home).

Basic Eligibility

To use most PHFA homeownership programs you need to be a first-time homeowner unless you are purchasing a home in one of 39 "targeted" counties or in "targeted" neighborhoods within 13 additional counties. A first-time homeowner is an applicant who has not had an ownership interest in a principal residence within the last three years. A target area is a section of, or an entire county that is designated as such by the federal government. In these areas, an applicant who is currently a homeowner may also apply for a loan under the program.

Your "current annual household income" must not exceed the income limit* for the county in which the home to be purchased is located. Current annual household income is the total gross monthly income, multiplied by 12, of all adults who will live in the property. This calculation is based on income as of the date of application and does not include any income received by full-time high school or undergraduate students (unless such a person is a mortgagor, the head of the household, or a spouse of the head of the household).

The "purchase price" of the home you choose may not exceed the maximum purchase price* for the county in which the home to be purchased is located.

The home you purchase must be your principal residence. This means you intend to make the house your permanent home rather than a second home or a property to be used for investment or commercial use. (For other eligibility requirements for the home, see the "Home Considerations" section on page 13).

**** Information regarding maximum purchase price and income limits is included in brochures for the specific programs and also on our Web site at www.phfa.org.***

Credit Considerations

You should have a satisfactory history of paying your loans and charge accounts on time. Your credit report, issued by local credit bureaus, shows the current status of your installment loans, mortgages, and revolving charge accounts, the record of payment for open and paid off accounts (credit history) and a public records check.

Regardless of where a credit account was opened, your name and the account information should appear in the credit bureau report. If you have no credit history, this does not mean you will be turned down for a mortgage. A combination of other factors in your application may compensate for your lack of a traditional credit history.

If you have an unsatisfactory credit history because of a catastrophic life event but wish to be considered for a loan, you will be required to submit a detailed written explanation of why you have had credit problems and what has been done or is being done to correct them. This does not assure you that your mortgage will be approved; however, the explanation will be considered in the credit decision.

Affordability

You must qualify for the loan in terms of your income as it relates to your outstanding monthly obligations. Your lender will calculate the percentage of gross monthly income required for monthly mortgage payments (housing expense ratio) and the percentage of gross monthly income required for the payment of all debts (total expense ratio). These calculations are called "underwriting ratios."

HOUSING EXPENSE RATIO—includes the monthly mortgage principal and interest payment, one-twelfth of the annual payment for the property taxes, one-twelfth of the annual payment for the homeowner's insurance and, if applicable, one-twelfth of the annual payment for private mortgage insurance (for further explanation of private mortgage insurance, see "Mortgage Categories" section on page 10). The total of these items divided by your gross monthly income may not exceed 33 percent for a conventional loan, 31 percent for an FHA-insured or a loan guaranteed by Rural Development (RD), or 41 percent for a VA-guaranteed loan.

TOTAL EXPENSE RATIO—includes the housing expense as detailed above, plus the monthly payments of any obligations you may have such as installment loans, revolving charges (for example VISA, MasterCard, Sears, etc.), child support payments, etc. The total of these items divided by your gross monthly income may not exceed 38 percent for a conventional loan, 43 percent for an FHA-insured or RD-guaranteed loan, or 41 percent for a VA-guaranteed loan.

Your lender will be able to tell you at the mortgage interview exactly which debts must be included in the calculation of the underwriting ratios.

There is a way in which you can approximate the maximum price you can afford. You must first calculate your gross monthly income as follows: (1) if you are paid by the hour, take your hourly rate times 40 hours per week (or the actual number of hours you work if it differs from 40 hours) times 52 weeks in a year divided by 12; (2) if you are paid weekly, take your weekly gross pay times 52 divided by 12; (3) if you are paid bi-weekly (every two weeks), take your biweekly gross pay times 26 divided by 12; (4) if you are paid semi-monthly (two times a month), take your semi-monthly gross pay times 2; (5) if you are paid a monthly wage, simply use the gross pay from any current month; (6) if you are paid an annual salary, simply divide by 12.

As an example, let's use a family earning $48,000 per year or $4,000 per month.

Total Monthly Expense Limit is 38 percent (maximum) of $4,000 = $1,520.

From this "Total Monthly Expense" Limit of $1,520, deduct the family's monthly obligations, the average monthly property tax escrow for the area where they plan to buy their home, the estimated monthly escrow for the homeowner's insurance, and an estimated monthly escrow for payment of private mortgage insurance (required if the downpayment is less than 20 percent of the purchase price).

Total expense limit	$1,520
Less monthly obligations	(500)
Less property tax escrow	(200)
Less homeowner's insurance escrow	(50)
Less monthly private mortgage insurance premium (if required)	(65)
Available for mortgage loan payment	$705

If you divide the $705 available for the mortgage loan payment by an interest rate factor (for example, seven percent = .00666, see page 9), you have the approximate maximum mortgage they can afford. By dividing the mortgage amount by .95, you will have an approximate maximum affordable purchase price with a minimum five percent downpayment.

$705 ÷ .00666 = $105,855 (Maximum mortgage amount)

$105,855 ÷ .95 = $111,426 (Maximum affordable purchase price)

This means that a home priced beyond $111,426 will probably be beyond their ability to purchase (considering this family's debts, income, and percentage of downpayment).

A larger downpayment will yield a higher maximum affordable purchase price. For example, if this family makes a ten percent downpayment, the maximum-priced home they could afford would be determined by dividing as follows:

$105,855 ÷ .90 = $117,616 (Maximum affordable purchase price)

Your Worksheet

A worksheet follows which you can use to compute the maximum mortgage amount and maximum purchase price you can afford. You might want to have your real estate agent, home counselor, or lender check this worksheet for accuracy.

This worksheet provides some guidelines for determining affordability by taking into account the expenses of homeownership plus other debt obligations in relation to your income. If you need help with the calculations, see someone familiar with finances and in whom you have confidence or make an appointment with a homeownership counseling agency.

The maximum purchase price of the home you could afford (maximum affordable purchase price) could be higher or lower, depending upon the interest rate, any changes in income, the amount, type and duration of your debt, or the amount of the downpayment. However, this can serve as a guide so that you do not waste time looking at homes that are obviously out of your price range.

1. Income Eligibility (to determine if you're eligible for a PHFA loan)

Current annual household income is the total monthly income, multiplied by 12, of all persons who will live in the property within 12 months from loan closing, regardless of whether they will be on the loan or not. This calculation is based on income as of the date of application and does not include any income received by full-time high school or undergraduate students.

See if your current annual household income is equal to or below the income limit for the county in which the house is located by checking the program brochure.

Fill in the form below and multiply the gross total monthly income by 12.

	Borrower	Co-Borrower	Other*
Gross pay	$ _______	$ _______	$ _______
Overtime/part-time commissions	_______	_______	_______
Bonuses/tips	_______	_______	_______
Dividends/interest	_______	_______	_______
Business or investment earnings**	_______	_______	_______
Company car ($200 per month)	_______	_______	_______
Car allowance	_______	_______	_______
Income from rental property (net income plus depreciation)	_______	_______	_______
Pension or Social Security benefits	_______	_______	_______
Veterans Administration benefits	_______	_______	_______
Unemployment compensation	_______	_______	_______
Public assistance	_______	_______	_______
Any other income	_______	_______	_______
Alimony/child support or separate maintenance income***	_______	+ _______	+ _______ =
Gross monthly income	$ _______	$ _______	$ _______
Gross total monthly income	$ _______	× 12	$ _______ Current annual household income

* This column is for all other working members of the household who are not full-time high school or undergraduate students.

** A self-employed borrower is to calculate income by adding the net income/loss plus the depreciation from the Schedule Cs of the last two years' federal income tax returns and then dividing the total by 24.

*** It is mandatory for the borrowers to include this type of income in the calculation of the current annual household income to determine their eligibility under the federal income limit.

Now compare your current annual household income to the program income limit for the county in which you intend to purchase the home. Fill in the appropriate program income limit and county name:

$ ____________________ County name ____________________

If your current annual household income calculated in #1 is over this limit, you are not eligible for the program. You may want to check with your lender or counselor to be sure your income is over the income limit. If it is, they can help you determine other mortgage programs for which you may be eligible.

2. Gross Monthly Income

Add all current regular monthly income for household members who will reside in the property and also be borrowers on the mortgage loan. Consider all sources during the most recent 12 months. Add the gross monthly income you calculated in #1 for the borrower and co-borrower only. Do not include income from other household members that will not be on the loan. You may have to reduce the gross monthly income if you included alimony/child support or separate maintenance income and you do not want it to be used in the underwriting process. This type of income is optional for the borrowers to reveal when the lender is determining underwriting ratios for total monthly payment and total expenses.

Certain types of income (such as overtime, that the borrower does not have a history of receiving for a period of two years or more) that must be used in calculating income for income limit purposes may not be considered when underwriting the loan.

Borrower $ ________ + Co-Borrower $________ = $________

Gross monthly income

3. Monthly Personal Debt

List below all the monthly debt obligations of your household (other than your current housing costs).

Debts	Average monthly amount
Car loans	$ ________________
Installment loans	________________

Credit card accounts ______________

Student loans ______________

Alimony and/or child support payments ______________ =

Monthly personal debt TOTAL $ ______________

4. Total Expense Limit

____________	x	.38	=	$ ____________
Gross monthly income (from #2)				Total expense limit

5. Available for mortgage payment

Total expense limit (from #4)	$	______________
Less estimated monthly property tax escrow*	$	______________
Less estimated monthly insurance escrow*	$	______________
Less monthly personal debt (from #3)	$	______________
Less estimated monthly private mortgage insurance premium*	$	______________
Available for mortgage loan payment	$	______________

*Your lender, real estate agent, or home counselor can help you determine these amounts. You can use the estimates from page 4, but keep in mind that these amounts can vary greatly depending on the loan amount and location of the home.

6. Maximum Mortgage Amount

____________	÷	(____________)	=	$ ______________
(Available for mortgage loan payment from #5 above)		(Rate factor see below)		(Maximum mortgage amount)

Some of the mortgage interest rate factors that may be used in number 6 are listed below:

RATE FACTORS

Select the mortgage interest rate closest to the current program interest rate and use the factor next to it.

Mortgage interest rate	Factor	Mortgage interest rate	Factor
6%	.00600	8%	.00734
6 1/4%	.00616	8 1/4%	.00752
6 1/2%	.00633	8 1/2%	.00769
6 3/4%	.00649	8 3/4%	.00787
7%	.00666	9%	.00805
7 1/4%	.00683	9 1/4%	.00823

7 1/2% 00700	9 1/2% 00841
7 3/4% 00717	9 3/4% 00860

7. Maximum Purchase Price

_____________ ÷ .95 = $ _______________

(Maximum mortgage amount from #6) (Maximum affordable purchase price)

Fees and Charges (Closing Costs)

Fees

At the initial interview, you may be required to pay a program fee of one percent of your mortgage amount and a qualifying fee of $300. These fees may change from time-to-time. Check with your lender for the current fees. You will also pay a fee the lender customarily charges a borrower at the initial interview for a credit bureau report, appraisal, etc. (these lender fees typically range from $250 to $350, and they are usually labeled the “application fee”).

Charges

Settlement on the property occurs when all legal documents are signed, the title transfers to you as the new owner, the money is paid to the seller or builder of the house, and all costs relating to the purchase of the property are paid.

Settlement charges consist of two categories: closing costs and prepaid items. Settlement charges will be estimated for you in a “good faith estimate” which the lender is required to provide at or shortly after you complete the mortgage application. Closing costs include the costs for title insurance, legal fees, document preparation, recording fees, transfer tax, etc.

The prepaid items are the interest on the mortgage loan from the settlement date to the end of that month and the required lump-sum amounts to be escrowed for real estate taxes and insurances. Amounts are set aside each month from your total monthly mortgage payment to pay property taxes and insurance when they become due and payable (generally, taxes are paid early to take advantage of a discount). You will pay the lender enough money at settlement so that this lump-sum payment, in addition to your monthly escrow payments, will allow real estate taxes and insurance to be paid in full when future bills are due and payable. It is your responsibility to send real estate tax bills (not personal income tax or head tax bills) you receive from your tax collector to the lender to whom you pay your mortgage payment. These usually include the school tax and a county or other local property tax. The insurance payments required are: homeowner’s insurance, private mortgage insurance (if your downpayment is less than 20 percent on a conventional loan) and flood insurance if the home is located in a flood hazard zone that requires flood insurance as determined by the appraiser.

Mortgage Categories

There are many loans types available in today's mortgage market. Listed below are some of the more common ones. PHFA Homeownership Programs feature four categories of loans: Conventional, FHA-insured, VA-Guaranteed, and RD-Guaranteed. Not all of these are offered by every participating lender. Check with the local lender you choose to be sure the type of mortgage you want is offered or see the participating lenders list in the 'Homebuyers Section' at www.phfa.org. All PHFA home purchase loans are fixed-rate and have a term of 30 years.

ARMs (adjustable rate mortgages) permit the lender to adjust interest rates periodically on the basis of changes in a specified index. Be aware that although ARMs may start off with a lower interest rate than fixed mortgages, the rate can increase over time, thus increasing the monthly payment amount. The changes may be as often as once a month or as seldom as every three to five years, depending on the terms of your loan.

Conventional mortgages generally require a minimum of five percent down. Borrowers with a middle FICO (credit rating) score less than 660 must contribute at least three percent. The remaining two percent can be obtained as a gift from a family member, county program, or an acceptable source. Borrowers with a middle FICO score of 660 or higher only need a downpayment of three percent, with at least $1,000 from their own funds and the remainder can be from a gift or grant. Your portion of the funds must be verified in your bank account for at least 90 days. This means, if you qualify, you can finance up to 97 percent of the purchase price or the appraised value of the home, whichever is less. Conventional loans are required to be insured by a private mortgage insurer if the downpayment is less than 20 percent of the purchase price or the appraised value, whichever is less. Private mortgage insurance (not to be confused with mortgage life insurance) insures the lender against losses that it may incur if you default on your mortgage loan and your home would be taken away from you through a foreclosure sale.

FHA-insured mortgages are insured by the Federal Housing Administration (FHA) and require a downpayment of three and one-half percent. Check with your real estate agent or lender for details on this type of mortgage financing.

Fixed-rate mortgages are loans in which the principal and interest portion of the payment do not change during the term of the loan.

VA-guaranteed mortgages are guaranteed by the Department of Veterans Affairs (VA). VA loans are for U S military veterans only and provide for 100 percent financing (no downpayment required). An upfront VA funding fee is required but can be financed in the mortgage. The amount of the fee may change from time-to-time. Check with your lender for the amount of the current fee.

RD-guaranteed mortgages are guaranteed by the Rural Development division of the U S Department of Agriculture. These loans help low- and moderate-income applicants purchase adequate housing in eligible rural areas. Loans may be for up to 100 percent of the appraised value of the property, plus the guarantee fee. If the appraised value supports it, certain closing costs may be included in the mortgage amount.

Interest Only mortgages allow you to pay only the interest for a specified number of years. After that, you must repay both the principal and the interest. Mortgages that offer an interest only payment plan may also have adjustable interest rates. Because you are not decreasing the principal amount owed during the interest only period, this type of loan can result in negative amortization. This is when your total loan amount increases over time and can result in you owing more than your home is worth.

Subprime Mortgages are normally made if you have a lower credit rating. As a result of the lowered credit rating, a conventional mortgage is not offered because the lender views the borrower as having a larger-than-average risk of defaulting on the loan. Borrowers with credit ratings below 600 may only qualify for subprime mortgages and the higher interest rates that go with them. Making late payments or declaring personal bankruptcy could land borrowers in situations where they can only qualify for subprime mortgages. Therefore, it is often useful for those with low credit scores to wait for a period of time and build up their scores before applying for mortgages to ensure they are eligible for the best rates. Borrowers with scores in the upper 500's may still be eligible for an FHA-insured or RD- or VA-guaranteed loan if they can satisfactorily explain and document their credit blemishes. PHFA provides free credit counseling through a network of approved agencies. Please view the Homebuyer Resources section on page 11 of this workbook.

Homebuyer Resources

To learn more about these products and to find out which program is right for you, PHFA strongly recommends that you visit a counseling agency.

The PHFA network of approved Counseling Agencies provides free homebuyer counseling and education that can include credit counseling. Buyers with a FICO credit score lower than 660 are required to attend a course prior to closing on their PHFA loan. PHFA also has a number of counseling initiatives that cover topics such as homeownership, predatory lending, rural development, and credit repair.

To find an approved Counseling Agency near you, visit www.phfa.org or call the Mortgage hotline at 1.800.822.1174.

How to Apply

1. Visit the 'Homebuyers' section at www.phfa.org or call 1.800.822.1174 for a list of participating lenders in your area. Call a lender to schedule an appointment to get pre-approved or to complete a mortgage application if you already have a signed sales agreement for a specific property. (It is best to get pre-approved first, before signing a sales agreement.) At the time of application, the lender will reserve the funds needed for your transaction and will lock in your interest rate for a period of time—usually 60 days. Interest rates may vary. Applicants are to contact a local participating lender for interest rate information and to schedule an interview for a mortgage application. Interviews are scheduled on a first-come, first-served basis.
2. Mortgage interviews run smoothly when the necessary information and documents are with you when you apply. Bring this workbook to use as a reference, following the check list on page 17.
3. From the date of your mortgage application, you should allow at least six to eight weeks for processing the loan. Full disclosure of the pertinent information is an absolute necessity. You should provide additional information requested by your lender or real estate agent as promptly as possible.
4. Closings are not to be scheduled prior to PHFA approval of the mortgage loan.

Home Considerations

There is a *House Evaluation Worksheet* on pages 15 and 16 of this guide. Have copies of this form made so that you can keep separate information for each home. Use them when you look at houses. The more information you have about the houses you consider for purchase the better selection you may make.

The home that you select must be a single family dwelling, whether detached (free standing), semi-detached (connected), a row (townhouse), or a unit in a condominium or planned unit development (PUD). Manufactured housing is eligible for PHFA financing but must also meet other specific criteria. Check with your lender to be certain the manufactured home you select is acceptable.

You may also consider two-unit properties, as long as you will occupy one of the units; the home is at least five years old and is typical for homes in the area; and, your loan will be conventional FHA-insured or VA-guaranteed. The purchase price of a two-unit property can exceed the applicable PHFA purchase price limit by ten percent.

The lot size of the property you are purchasing may not exceed four acres (exceptions may be considered due to building restrictions or township or county regulations). The purchase price listed in the agreement of sale may not include items which are not built into the home, such as washers, dryers, window air conditioners, portable dishwashers, area rugs, etc. However, a stove, refrigerator, and any built-in appliances may be included. As stated earlier, the purchase price of the home may not exceed the maximum purchase price for the county in which the home is located.

Here are a few tips to keep in mind when selecting a home:

1. Compare at least three homes. Don't fall in love with the first house you see.
2. Use the *House Evaluation Worksheet* to thoroughly inspect the home and survey the neighborhood. Remember: "Buyer Beware" is the rule.
3. If you do not understand something in the agreement of sale, you should not sign it until that item has been clarified. If you have questions, you may want to seek the assistance of your real estate agent, housing counselor, or attorney depending upon the complexity of the issue.
4. Make sure provisions are in the agreement of sale to get your deposit refunded to you if you cannot obtain financing. For example: "This transaction is contingent upon receiving financing through PHFA."
5. It is a good idea to also make the agreement contingent on a satisfactory professional home inspection. If there are repairs to be completed, the sales agreement should specify who will pay for them and when they will be completed.
6. A reasonable deposit is $1,000.

New Homes

The Agency does not provide temporary construction financing. If you are planning to build a new home, please note that Agency loans are for permanent financing only. If the lender with whom you are making application does not provide construction financing, be sure you have a commitment for construction loan financing from another lender or that your builder is providing the construction financing. You may be charged additional fees for the construction loan. Also, building a home may take a lot longer and involve more complications than purchasing an existing home. See the participating lenders list in the 'Homebuyers' section at www.phfa.org or call 1.800.822.1174 to find a PHFA lender that also provides construction financing.

Protect Your Investment

Make your monthly mortgage payment to PHFA on time. At the loan closing, you will receive instructions on how and when to make your payments.

You will receive a monthly billing statement. It is your responsibility to make payments.

Your mortgage payment includes principal, interest, taxes, and insurance (PITI). The principal portion of your payment reduces the amount borrowed.

Interest is the cost of borrowing the money. The tax and insurance portion of your payment is held each month in a separate account called an escrow account to accumulate the money needed to pay your annual property tax, annual homeowner's insurance, and annual mortgage insurance. PHFA makes these annual payments for you using the funds in your escrow account.

It is a good idea to be prepared for the money-lending offers you receive as a homeowner. These may come by phone, from personal contact, or by the Internet. Recently, a growing number of people are being victimized by predatory lending practices.

Examples of predatory lending practices include:

- Loans to homeowners based on the value of the home and not their ability to repay.
- Unusually high interest rates.
- Excessive borrowing costs without lowering the interest rate.

Here's how it might happen: Homeowners need money for an unexpected emergency, often a small amount. However, because of a current financial situation, they aren't able to borrow from a bank and end up at a lender where credit history is "no problem." Needing extra money in times of emergencies can become a reality for anyone, but the details of the borrowing arrangement should be looked at carefully before signing.

Offers suggesting that "slow pay" or "bad credit" are not a problem are often signs of predatory lending.

Don't sign any forms before they've been reviewed and, if questions arise, ask an attorney or housing counselor. Don't rush into a loan that might be predatory or not in your best interest.

Summary

Remember, buying a house is probably the biggest investment you will ever make. Take your time, use sound judgment, and seek advice. The PHFA Homeownership Program is designed to help you make the difficult business of owning a home a little easier. If you use the program the way it is intended, you will be able to save thousands of dollars over the life of the mortgage. That money in your pocket can be used to make the home you buy a better place to live.

There is a lot of satisfaction and comfort in owning your own home. There is also a great deal of responsibility, including paying the mortgage, taxes and insurances, and maintaining the property in good repair. Routine and preventative maintenance can help reduce repair costs and keep your property value increasing.

PHFA House Evaluation Worksheet

Borrower(s) ______________________ ______________________

Date ____________

Property Address ______________________________________

____

Listed Sales Price $ ________________ County ________________

PHFA Maximum Purchase Price $ ________________

Type of Housing (single, twin, row) ________________

ESCROWS (Monthly)

Hazard Insurance $ __________

Property Taxes $ __________

Condominium/PUD Fees $ __________

Flood Insurance (if required) $ __________

HOUSE COSTS (Monthly)

Heating $ __________

Electrical $ __________

Water/Sewer $ __________

Other $ __________

LOCATION

Type of Neighborhood ______________________________________

Schools, how far ________________ Day Care, how far ________________

Shopping, how far ________________ Medical Services, how far ________________

Community Services (fire, police, ambulance) __________ Distance from Work ________________

Public Transportation, how far ________________

DIMENSIONS

Lot Size ________________ House Size ________________

EXTERIOR

Style/Age/General Condition ______________________________________

Yard/Landscaping ______________________________________

Garage, # cars ________ built-in ________ attached ________ detached ________ carport ________

Siding, type ________________ condition ________________

Driveway, type ________________ condition ________________

Windows/Doors, condition ______________________________________

Roof, type ________________ condition ________________

INTERIOR

Floor plan (# of rooms) ______________________________________

Kitchen ______________________________________

Appliances ______________________________

Bedrooms ______________________________

Bathrooms ______________________________

Living room ______________________________

Dining room ______________________________

Basement/attic storage ______________________________

Other ______________________________

EQUIPMENT/MECHANICALS

Heating system, type ____________________ condition ____________________

Water supply, type ____________________ condition ____________________

Hot water heater, type ____________ size ________ condition ____________________

Sewerage, type ____________________ condition ____________________

Drainage ______________________________

Plumbing ____________________ condition ____________________

Electrical, # amps ____________________ condition ____________________

Insulation, type ____________________ # of inches ____________________

Attic, roof ____________________ # of inches ____________________

Walls ____________________ # of inches ____________________

Storm windows/doors ____________________ condition ____________________

The materials presented in this workbook are for informational use only.

Worksheet materials do not constitute qualification for a mortgage or any other financing.

Information Needed at Mortgage Interview

Check List

Borrower ____________________

Social Security Number ____________________

Co-Borrower ____________________

Social Security Number ____________________

Mailing address ____________________

____

Phone number ____________________

Property address ____________________

Property contact ____________________

Phone number ____________________

Real estate broker ____________________

Phone number ____________________

Attorney ____________________

Phone number ____________________

EMPLOYMENT (Past Two Years)

List most recent employment first.

Name of Employer	Address	Dates Employed	Current or Ending Salary
Borrower			
Co-Borrower			

BANK ACCOUNTS (Savings, checking, etc.)

Name of Bank	Address	Account No.	Type of Account	Estimated Balance

LANDLORDS (Past three years)

Name of Landlord	Address	Dates You Rented

CREDIT CARDS (Department stores, banks, etc.)

Name of Creditor	Address	Account No.	Estimated Balance Due

LOAN INFORMATION (Car, education, etc.)

Name of Lender	Address	Account No.	Monthly Payment	Estimated Balance Due

CREDIT REFERENCES (Paid-off loans and other credit)

Name of Lender	Address	Account No.	Type of Loan	Date Paid

Remember to bring the following with you to the mortgage interview:

1. Completed agreement of sale, signed and dated by you and the sellers.
2. Payroll stub(s) from each employer of each applicant for the previous 30 days or, if self-employed, signed and dated profit/loss statement along with two years signed and dated federal income tax returns with all schedules. Also, bring copies of court orders for child and/or spousal support, as well as award letters or statements for any public assistance received such as social security benefits.*
3. Copies of bank account statements for each account for the previous 90 days.
4. Separation or divorce agreement, divorce decree, support order.
5. Most recent two years' W2 statements from all employers.*
6. Personal check for application fee and the PHFA program fees.
7. Social Security card and photo ID.

* Required for all adult members of household, excluding full-time undergraduate students.

NOTES

PHFA
PENNSYLVANIA HOUSING FINANCE AGENCY

211 North Front Street
Harrisburg, PA 17101
717.780.3800 or 1.800.822.1174
TTY 717.780.1869
www.phfa.org

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