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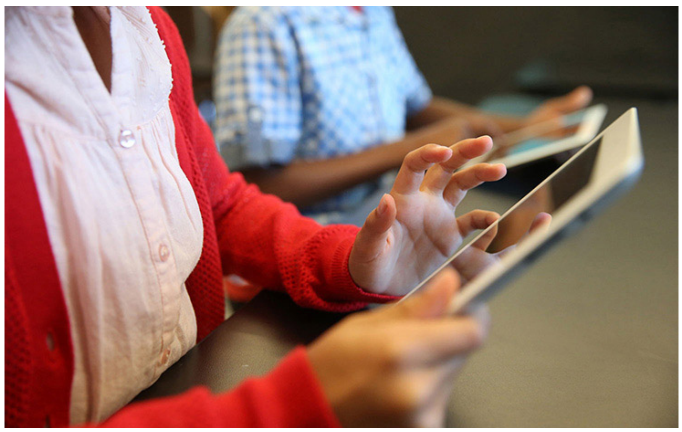
CheckList for 1st time Homebuyers +

* Mortgage Options you may not know of.... 2016



Have you heard of MCC?....................................4

100% Financing...................6

VA Benefits..........................8

Did you know there is still 100% financing for primary residence? 6
VA Financing 6

Have you heard of MCC?

Is this your 1st home ?

Or have you not owned in the last 3 years or more?

This is a Terrific Dollar for Dollar Tax Credit for as long as you maintain the initial mortgage!

To get this credit on most mortgage programs your lender needs to fill out 2 documents prior to you receiving the 'Clear to Close.'

Not all Lenders participate. There are income and purchase limits to this government program.

Purchasing a home can be daunting to know what program is best and where to begin.

As a Realtor, I suggest Buyers begin with a Mortgage credit approval letter from the Lender of their choice. (You may change lenders as long as all parties have been notified)

A Credit Approval prior to finding the property of choice can make the process smoother. It is also an advantage when in a multiple bid situation, because a pre-approved buyer is able to close quicker than a pre-qualified buyer.

As a Buyer isn't it better to know exactly how much you can afford up front?

Every Agent has sad stories of a 'pre-qualified' buyer that imagined they were pre-approved. I had one guy who was in his 50's and had saved for his first home. The lender assured both him and myself there was no problem even though this man had no credit and dealt mainly in cash. I was stunned, because he was putting only 3% down. "Are you sure his lack of credit will not be an issue?"

'Absolutely!' I was told, the Listing Agent also called this lender and was also assured all was well. We proceeded with the transaction.

My 1st time homebuyer paid for the Appraisal and Credit Report out of pocket to the Lender. We arranged a Home Inspection, which he paid for upfront. He went out and got Home Owners Insurance and paid one year up front as required. We did everything the Lender requested.

As the closing drew near the underwriters told my buyer he didn't qualify for lack of credit! Had the Mortgage Consultant been up front we could have taken a few months to help him establish credit and a bank account in order that he would qualify for his purchase of his dream home!

Can I give you a general idea of what you can afford?

Certainly!

However, you do not need to provide a Realtor with all your personal credit issues and income information. We are not Lenders and not able to get you a Mortgage Approval! I don't want to know your credit history actually. That is not what you hired me for. You hire a Realtor to guide you through the process, help you find a home, and negotiate the best price, and know who to call to answer any questions you may have. I have resource, knowledge, and experience that helps you achieve your goal of homeownership in a particular area.

By getting your credit approval first I take the risk of that lender swaying you to another agent. Or you may need credit repair and six months later you've forgotten me.

All is well, you should come back to the Realtor that gave you good advice. But personality plays a big part in Real Estate, go with the Realtor you are comfortable with. Realtors work on Commission. (If I do not find you a home, I do not get paid.) There is no shared commissions (we do not get weekly pay checks like most people)

Realize, a good agent will ask questions to get a feel for your personality, your likes & dislikes so they can help you find the home that is the best fit based on availability for you. A not so good agent will show you a few homes in your chosen area and say, 'pick one.' It's up to you to decide what agent works best for you. Do not be swayed by the promise of credits back at closing if you use a particularly company or agent. They may not be looking out for your best interest. In the end it may not be a deal for you at all!

MCC is a Mortgage Credit Certificate is awarded by participating lenders to 1st time Homebuyers upfront. That means you need to apply for this Certification before you get to the closing.

Why is this such a BIG DEAL? This is a **government program** that not all lenders participate in. This program allows **1st time homebuyers** (that is any one who has not purchased a home in the last 3 years or who has never purchased a home before!) a substantial tax savings over the LIFE OF THE LOAN. So, if your spouse purchased a home in the last 3 years but you were not on the mortgage you may qualify to purchase with the MCC.

MCC from VHDA could save a **first-time homebuyer** thousands of dollars by reducing the amount of federal income tax you owe.

How does it work? What are the requirements and limitations.
Per the VHDA Website:
Unlike an income tax deduction, an MCC is a dollar-for-dollar credit against federal income tax liability:

▪ The credit is equal to **20 percent** of the annual mortgage interest paid.

- The remaining **80 percent** may still be taken as a tax deduction.

- **The MCC is effective for the life of a mortgage, as long as the homebuyer lives in the home.**
To be eligible for an MCC, homebuyers must:

- Apply for an MCC with an approved lender and receive a commitment from VHDA prior to closing.

- Be a first-time homebuyer, or not owned a home as a primary residence within the past three years.

- Have income at or below the maximum household income limits.

- Purchase a home below the maximum sales price/loan limits.

- Use the home as their principal residence.

What the site doesn’t say... MCC Tax Credit can be applied to any mortgage from an MCC participating lender.
It pays to ask questions.

Chapter two

100% Financing

Did you know there is still 100% financing for primary residence?

USDA offers 100% financing in certain locations to people based on Loan Limits. You may apply directly through USDA or through participating lenders.

There are loan limits and income limits as well as location rules, however, you are able to obtain 100% financing and may even qualify for a Down Payment Assistance Grant!

The USDA also offers a Multi-Family Loan program with different perimeters that is not widely known, but is offered in all states.

VA Financing

Contrary to many beliefs… VA stills offers 100% Financing too active military, past military, and some family members.

So, if you served any branch of the Military and are considered a VETERAN you may qualify for a VA Loan!

Even if you've used your VA Benefit in the past you may use it multiple times! Its important to speak to a qualified VA Lender for details. Like Marshall Williams, Executive Director of Military Affairs with Home Savings & Trust Mortgage or Mary Krueger, Branch Manager of Movement Mortgage in Dulles, VA. These are talented, committed Mortgage Professionals with a passion to help others obtain a mortgage that is right for them.

. The VAREP is a great source of information about your benefits and who qualifies.

Many Lenders may offer 100% financing to their Depositors, but not all will. Each lender is different. Larger Lenders fall under different rules than small local lenders, mortgage brokers, and credit unions. Some smaller lenders offer more flexibility.

Movement Mortgage offers a MAP Program, this is a Lender Funded Grant Program to qualified Buyers. Essentially, this is 100% financing to qualified individuals. They even allow 4% Seller Concessions to help you achieve your goal of homeownership! This is just one example of some programs local or smaller lenders are putting together to help the communities they serve with the desire of Homeownership!

It pays to sit down with your “LOCAL LENDERS” to find the best deal for you. Big Banks are not competing in this mortgage market!

FHA PLUS

This program is a first and second combined to provide you with 100% financing.
In all cases you may ask the Seller for 3-6% Seller Concessions to apply toward closing cost. With these program you need a down payment (which is credited toward your closing cost) and should be able to get into the home with NO MONEY DOWN!

3% or more down

Many Lenders and Buyers know of the 3% down conventional loan or the 3.5% down FHA Loans. Keep in mind if you go with a sauve lender that specializes in 1st time Buyers they will show you the MCC pig back to either of these loans, or other funding sources that may be available to you in addition to the program you initially applied for.

A few lenders like Fairway Mortgage will finance doublewides on a permanent foundation with land. Please check with the lender on age of the home. Also we need to know if the lender requires the VIN numbers for the doublewide.

Chapter Three

What do you need?

Step One: The Lender Credit Approval or Pre-Qualification (Note: a pre-qualification may not mean you necessarily qualify for a loan. A Credit Approval means the lender took the time to make sure you are credit worthy for the amount on the paper)

Finding the RIGHT LENDER is critical to many first time homebuyers. In most cases you are considered a 1st time homebuyer if you have not owned a home in the last 3 years or more. The right loan can mean you get the home of your dreams, or you have to settle for something less because you didn’t have a lender looking for the best program fit for you.

So, even if you are ‘pre-qualified’ with a lender, talk to your Realtor. See if they are knowledgable of 1st time programs in their area. If you were in the service, are they aware of the VA Benefits programs that may help you achieve your goals. Do they have lenders they regularly work with?

Some 1st time home buyer programs require you to take a class whether online or in person. Some agents know how to find those classes that are required. Some even volunteer their time to teach at those classes.

Step Two: Meet with a Realtor and find the home. (whether you're buying a 'to be built' home from a builder or a new to you home - it pays to have a knowledgeable, caring agent in your corner to help you look out for speed bumps.) Step One & Two may be turned around. A good Realtor will lead you to one or two lenders in the area that will help guide you, and they will wait for you to obtain an approval letter.

If you are a 1st time Homebuyer be sure to ask your Realtor if they have experience with 1st time homebuyer programs and if they can help you find the right program for your needs. If they are qualified they may call someone to assist you, or have a list of agencies and lenders that participate in 1st time homebuyer programs.

If you've served in the military be sure to ask your agent if they are aware of the military lenders in the area. Do they offer benefits to you as a military person, i.e.: a closing rebate, or providing you with a home warranty or home inspection on them?

Step Three: You found the home, came to an agreement with the Seller - this is called a Contract. A legal, binding, written agreement between two or more parties. Now, you hurry up to check out the home via a Home Inspection. (home inspections must be done within the agreed to timeframe of the contract. or any issues that come up are for you to repair without being able to address them with the current owner.)

Be Aware: Was it built before 1978? If so, your lender may require a Lead Assessment.

Are you concerned about Radon or Mold? Those can be part of your inspections. Home facts.com can tell you a lot about a home based on public records. Your Realtor may provide you with a free Home Facts Report.

Do you have children in public education? You may want to check into the local school performance or what private schools are available.

Is the home on a Well, Septic? In an HOA or PUD?

If on a Well and Septic your Lender may require specific test to be done. (Remember: A Realtor can guide you, but some things you must check on your own. And some expenses are paid out of pocket before closing.)

If in an HOA or PUD you need to review the documents which include covenant and restrictions for the community. You have3 days to read them and make certain you still want to live in that community based on their rules and guidelines.

Your Lender needs to review the documents to ensue it meets their lending standards. An important note with Condos is the Investor to Owner Occupied Ratios. If the Investor concentration is too high, your lender may say you do not qualify for your mortgage program based on guidelines. You may need to put more money down to go into a different mortgage program. How do you do that? Will the lender allow a Seller to hold a second mortgage or do you need to get a gift or tap into a retirement fund?

Different communities, lenders and states have different rules they go by. So, its important to work with professionals familiar in practicing in those locations. You want a professional that can help you come up with ethical solutions to various situations.

Be wary of an agent that suggest you do not need a Home Inspection. Years ago I purchased a home without a home inspection from the Listing Agent. “Dual” is great for the agent but may not be great for the buyer. We got the home at a time when there were multiple offers on homes in the area. Shortly after purchasing the rains came. That is when we discovered the roof of the addition under the back deck leaked. When we went to make repairs we found ‘Carpenter Ants’ had almost eaten complete through 2 of the beams holding up the roof and deck! A Home Inspection or Termite Test may have detected this issue and prevented us from purchasing the home ‘as is.’

Step Four: After the Inspections, you need to be certain you have provided your lender with all the documents they have requested from you. You may have a Title Company or an Attorney handling the closing.

Please keep in mind, Inspections are paid up front. Generally you pay a Home Inspector before or at the inspection.
Some required inspections like the Termite or Septic may be paid by the Seller, others will be paid by you.

Some lenders collect an Appraisal fee upfront from you, and credit it back at closing. In addition to the Appraisal there may be a Termite Test, Well/Septic Test, (these may be paid by you or the Seller.) the Home Inspection (Which is paid by you), You may need Lead, Radon or Mold Test (these are typically paid prior to closing by the Buyer.)

Be aware there are different Well and Septic Test. Check with your lender to be sure to order the right ones.

Step Five: You may have provided the **Earnest Money Deposit** to you Realtor, or Title Company or Attorney. This is money applied to your side of the closing provided you have fulfilled your obligations. If you fail to provide your lender with required information, or change your mind after signing the contract you may end up in ‘Breach’ when this happens you may not only forfeit that Earnest Money Deposit you may also end up in court for the balance of the purchase price and no house!

Should all go well with inspections, and you provided all requested documentation to your lender the Earnest Money Deposit is credited toward your closing cost at closing. This is money you paid up front and now you’re getting it back.

Step Six: While you're doing your **due diligence** (this is the home inspection, lead, radon, mold, well/septic, etc. inspections) your mortgage lender is working on your application. They order the Appraisal.

An Appraiser goes out and looks over the property, and compares it to other homes in the area that have recently sold (that generally means in the last 3 - 6 months) that are similar. This is how they come up with a VALUE.

This Value may be different from the Tax Value or the Insurance Value or Zillow because they pull relevant current neighboring homes and make an assessment based on their experience of the FAIR MARKET VALUE for that neighborhood.

Should the Appraisal come in at Value or Higher all is well! Should the Appraisal come in Lower... you may need to re-negotiate your offer. Appraisals on Residential property is based on what has '*sold'* in a given area typically in the last six months. It may vary depending on areas. What is currently 'actively' for sale is NOT A FACTOR. The tax Value is NOT A FACTOR.

If you are getting an FHA Loan the appraisal stays with the home for 6 months. Meaning if it does not appraise and the first buyer walked away, you may need to bring money to closing to purchase that home unless your agent is able to re-negotiate the price to match the appraised value.

Appraisals are based on Sales Prices of other home in the area and adjustments to make them equal to the home you are purchasing. An appraiser may use 'pending sales' as back up information to justify the value given, but never an 'active' list price is used in an appraisal for value.

Step Seven: Your loan package goes to an Underwriter. The Underwriter matches your loan to the program guidelines. They may review the appraisal to be certain all guidelines were met and the value is in line with the agreed purchase price.

They may check to be certain the property is not in a 'Flood Zone.' If it is you may have to switch programs, or the cost may be higher for you to purchase in the

If all is well, you move to closing. If issues arise they must be dealt with prior to closing.

Step Eight: CLOSING!

You will walk through the home again a week or at least a few days prior to closing to be certain all is as agreed in the initial contract. If any repairs were agreed to or required by the Inspection, Appraisal or Underwriter those repairs need to be complete.

Should all be well, you will go to closing. Prior to closing you will have provided the Closing Agent 1. proof of homeowners insurance. (Hazard Insurance) 2. Arranged funds to close in either certified check or wire. 3. Have your Photo ID with you. 4. **Arrange for the utilities to be on in your name the day of the closing!**

Additionally, the closing agent may have requested you complete an online Buyer Form, they have gathered last minute documents, such as the Termite Test, Well Test, etc. They will have asked you if you want a Survey or Plat, and Owners Title Insurance.

What is Title Insurance? Why do you need it?

Lenders require you to purchase Title Insurance to cover them. You may chose to also pay to cover yourself. I always recommend Title Insurance!

Why? Title Insurance covers you when Title Disputes arise. Such as property lines. Fences are often a Title Issue. Title Insurance will cover the expense of attorney's and court cost should an issue arise. About the only time you may not need this insurance is if you're buying an apartment, condo or town home. You should have a closing agent explain this product to you in detail before ever saying, 'No thank you.'

One of my first transactions in Virginia had a Title Issue that took 6 months to settle! Fortunately, the Seller had Seller's Title Insurance. The Title Insurance had to spend $10,000 on behalf of the Seller to Settle an outstanding Title Issue that had popped up.

Since then, I have had Title Insurance rescue deals where fences were built partly on a neighbors property and had to be moved!

If you chose to save money by not getting Title Insurance for your self be aware moving a fence, or going to court to redraw property lines will be cost out of your own pocket.

Title Insurance is a one time cost at closing that covers you as long as you own that property!