

# ***Achieving Financial Stability through Homeownership Handbook***

***Westborough Youth and Family  
Services***

*Compiled by Cara Colbert*



# **Helpful Tools to Homeownership**

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## **Budgeting Tips:**

1. Shopping
  - a. Compare prices both within the store and at different stores
  - b. Take advantage of sales
  - c. Use coupons for additional savings
  - d. Don't buy on impulse
  - e. Make a list of what you need
  - f. Buy generic or store brands when you can
2. Food
  - a. Plan meals ahead so you can shop with a list
  - b. Pack your lunches and snacks instead of buying them
  - c. Eat out less
  - d. Be careful when buying prepared foods—they're usually more expensive
3. Clothing
  - a. Take advantage of off-season sales
  - b. Avoid dry cleaning bills by buying only machine-washable clothing
  - c. Consider buying from used-clothing stores
4. Transportation
  - a. Use public transportation when possible
  - b. Consider buying a used vehicle that is in good shape
  - c. Pump your own gas
  - d. Have regular maintenance done on your vehicle
  - e. Carpool
5. Entertainment
  - a. Look for free events around town
  - b. Rent a movie instead of paying full price at the theater
6. Housing
  - a. In warm weather, raise the thermostat when no one is home and at night when it's cooler
  - b. In cold weather, lower the heat when no one is home
  - c. Consider energy-saving devices
  - d. Learn to do home repairs yourself
  - e. Lower your water heater temperature to 120 degrees

### Setting up a Budget

<b>Expenses</b>	<b>Budgeted Amount \$</b>	<b>Actual Amount Per month</b>	<b>Actual Amount \$</b>	<b>Actual Amount \$</b>	<b>Actual Amount \$</b>	<b>Actual Amount \$</b>	<b>Actual Amount \$</b>
<b><i>Fixed Expenses</i></b>							
Rent/Mortgage							
Insurance							
Car Payments							
Loan Payments							
Taxes							
Alimony (paid)							
Child Care							
Child Support (paid)							
Child's Allowance							
Credit Card Installments							
<b><i>Variable Expenses</i></b>							
Groceries							
Utilities							
Transportation							
Telephone							
Medical/Dental							
Clothing							
Personal Hygiene							
Entertainment							
<b><i>Savings</i></b>							
Savings Account #1							
Savings Account #2							
<b><i>TOTAL EXPENSES AND SAVINGS</i></b>							

Income	Estimated Amount \$	Actual Amount Per Month \$	Actual Amount \$	Actual Amount \$	Actual Amount \$	Actual Amount \$	Actual Amount \$
Job #1							
Job #2							
Government Support							
Spouse or Partner's income							
Alimony (received)							
Child Support (received)							
Interest/Dividends							
<b>TOTAL INCOME</b>							
<b>TOTAL EXPENSES</b>							

***Compare total expenses to total income. Your budget is balanced when they match.***

**Buying                      vs.                      Renting**

<b><i>PROS</i></b>	<b><i>CONS</i></b>	<b><i>PROS</i></b>	<b><i>CONS</i></b>
Establish equity	Responsible for home repairs	Simplicity	No tax benefits
Freedom and control over what you can do with the property	Must put down a greater amount of money	Convenience and flexibility	Do not build equity
Establish a permanent community		Freedom to move frequently	Less control over what you do to the property
Tax benefits		Increase liquidity	
A place to call your own		Repairs are the landlord's responsibility	

## Loan Application Checklist

- Sales Contract (On the purchase of your new home) \_\_\_\_\_
- Original Paystubs for last 30 days \_\_\_\_\_
- Most Recent 2 Years Original W-2's \_\_\_\_\_
- Most Recent 2 Years Tax Returns \_\_\_\_\_
- Year-to-Date Profit and Loss Statement and Current Balance Sheet \_\_\_\_\_
- Information on Residence History (for the last 2 years) \_\_\_\_\_
- Most Recent Statement on All Outstanding Loans and Credit Cards \_\_\_\_\_
- 3 Months Bank Statements for All Accounts \_\_\_\_\_
- 3 Months Statements for IRA/Keogh/401K/Profit Sharing \_\_\_\_\_
- Transcript or Diploma (if you were a student within the past 2 years) \_\_\_\_\_
- Addresses, Loan Information and Leases on Real Estate you currently own \_\_\_\_\_
- Current Landlord's Name, Phone, and Address \_\_\_\_\_
- Copy of Sales Contract (if you are selling your present home) \_\_\_\_\_
- Complete Divorce Papers \_\_\_\_\_
- Relocation Agreement \_\_\_\_\_
- Bankruptcy Papers \_\_\_\_\_
- Award Letter and Copy of Most Recent Check \_\_\_\_\_
- Copy of Driver's License and Society Security Card (FHA only) \_\_\_\_\_
- Original Certificate of Eligibility and DD214 (VA only) \_\_\_\_\_
- \$\_\_\_\_\_ Check for Appraisal and Credit Report Fees \_\_\_\_\_

## Searching for a Home: Establishing your Needs and Wants

<b>Location</b>	<b>Needs</b>	<b>Wants</b>
<i>Commute</i>		
<i>Schools</i>		
<i>Medical</i>		
<i>Ethnic/Religious</i>		
<i>Environmental</i>		
<i>Community</i>		
<b>Housing/Property</b>	<b>Needs</b>	<b>Wants</b>
<i># of people</i>		
<i># of bedrooms</i>		
<i># of kitchens</i>		
<i>Repair/Remodeling</i>		
<i>Accessibility</i>		
<i>Expansion potential</i>		
<i>Storage</i>		
<i>Property</i>		

## Home Search Checklist

Name of Real Estate Agent: \_\_\_\_\_ Agent's Phone Number: \_\_\_\_\_  
 Address of Property: \_\_\_\_\_ Asking Price: \_\_\_\_\_

<b>THE HOME</b>	<b>Good</b>	<b>Average</b>	<b>Poor</b>	<b>Notes</b>
# of Bedrooms				
# of Bathrooms				
Closet/storage				
Dining Room				
Family Room				
Fireplace				
Garage				
Interior wall condition				
Exterior condition				
Roof condition				
Water/sewage				
<b>NEIGHBORHOOD</b>				
Appearance				
Environment				
Traffic				
Noise Level				
Safety				
Number of children				
Police and Fire				
Garbage Service				
Other				
<b>SCHOOLS</b>				
Age/condition				
Reputation				
Quality of Teachers				
Curriculum				
<b>CONVENIENCE TO:</b>				
Work				
School				
Supermarket				
Church				
Doctor/Dentist				
Other				

## Maintain a Budget after Purchasing a Home

Item	Current Monthly Average	Expected Monthly Average w/ Home Purchase
<b>Income</b>		
<b>Taxes</b>		
Social Security		
Federal		
State and local		
<b>Housing Expenses</b>		
Rent		n/a
Mortgage	n/a	
Property Taxes	n/a	
Homeowners/Renters insurance		
Gas/electric/oil		
Water/garbage		
Phone		
Cable TV		
Furniture/appliances		
Maintenance/repairs		
<b>Food and Eating</b>		
Supermarket		
Restaurants and takeout		
<b>Transportation</b>		
Gasoline		
Maintenance/repairs		
State registration fees		
Tolls and parking		
Bus or subway fees		
<b>Appearance</b>		
Clothing		
Shoes		
Jewelry		
Dry cleaning		
Haircuts		
Makeup		
Other		
<b>Debt Repayments</b>		
Credit/charge cards		
Auto loans		
Student loans		
Other		

<b>Fun Stuff</b>		
Entertainment		
Vacation and travel		
Gifts		
Hobbies		
Pets		
Health club or gym		
Other		
<b>Advisors</b>		
Accountant		
Attorney		
Financial advisor		
<b>Health Care</b>		
Physicians and hospitals		
Drugs		
Dental and vision		
Therapy		
<b>Insurance</b>		
Auto		
Health		
Life		
Disability		
<b>Educational Expenses</b>		
Courses		
Books		
Supplies		
<b>Kids</b>		
Day care		
Toys		
Child Support		
<b>Charitable Donations</b>		
<b>Other</b>		
<b>Total Spending</b>		
<b>Amount Saved</b> (subtract from income at beginning of table)		

# Home Buying Glossary

Cited from Elaine Quigley: <http://www.eqre.com>

**Agent** - A person acting on behalf of another, called the principal.

**Adjustable Rate Mortgage (ARM)**- A mortgage with an interest rate that may change, usually in response to changes in the Treasury Bill rate or the prime rate. The purpose of the interest rate adjustment is primarily to bring the interest rate on the mortgage in line with market rates.

**Appraisal** - An expert judgment or estimate of the quality or value of real estate as of a given date.

**Assessed Value** - The valuation placed upon property by a public tax assessor as the basis for taxes.

**Bill of Sale** - An instrument which transfers title to personal property (chattels); a "Deed" transfers' real property.

**CC& R's:** Covenants, conditions and restrictions- A document that controls the use, requirements and restrictions of a property.

**Certificate of Reasonable Value (CRV)** - A document that establishes the maximum value and loan amount for a VA guaranteed mortgage.

**Certificate of Title** - A document signed by a title examiner or attorney stating that the seller has a good marketable and insurable title.

**Closing Statement (Settlement)** - The computation of financial adjustments between buyer and seller as of the day of closing a sale to determine the net amount of money which buyer must pay to seller to complete purchase of the real estate and seller's net proceeds. Also, "settlement sheets," "HUD-1."

**Commission** - Payment to a real estate broker for services performed.

**Condominium** - A form of real estate ownership where the owner receives title to a particular unit and has a proportionate interest in certain common areas. The unit itself is generally a separately owned space whose interior surfaces (walls, floors and ceilings) serve as its boundaries.

**Contingency** - A condition that must be satisfied before a contract is binding. For

instance, a sales agreement may be contingent upon the buyer obtaining financing.

**Deed** - A formal written instrument by which title to real property is transferred from one owner to another. Also, "conveyance".

**Deed of Trust** - Like a mortgage, a security instrument whereby real property is given as security for a debt. However, in a deed of trust there are three parties to the instrument; the borrower, the trustee, and the lender (or beneficiary).

**Due-On-Sale Clause** - An acceleration clause that requires full payment of a mortgage or deed of trust when the secured property changes ownership.

**Earnest Money** - The portion of the down payment delivered to the seller or escrow agent by the purchaser with a written offer as evidence of good faith.

**Equity** - The interest or value which owner has in real estate over and above the debts against it. (Sales Price - Mortgage Balance - Equity).

**Escrow**- A procedure in which a third party acts as a stakeholder for both the buyer and the seller, carrying out both parties' instructions and assumes responsibility for handling all of the paperwork and distribution of funds.

**Federal National Mortgage Association (FNMA)** - Popularly known as Fannie Mae. A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by the VA, as well as conventional home mortgages.

**Fee Simple** - An estate in which the owner has unrestricted power to dispose of the property as he wishes, including leaving by will or inheritance. It is the greatest interest a person can have in real estate.

**Fixture** - What was formerly personal property, which is now permanently attached to real property and goes with the property when it is sold.

**Graduated Payment Mortgage** - A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.

**Hazard Insurance** - Protects against damages caused to property by fire, windstorms, and other common hazards.

**Home Inspection Report** - A qualified inspector's report on a property's overall

condition. The report usually includes an evaluation of both the structure and mechanical systems.

**Home Warranty Plan** - Protection against failure of mechanical systems within the property. Usually includes plumbing, electrical, heating systems and installed appliances.

**Joint Tenancy** - An equal undivided ownership of property by two or more persons. Upon the death of any owner, the survivors take the decedent's interest in the property.

**Lien** - A legal hold or claim on property as security for a debt or charge.

**Listing Contract** - Between a home owner (as principal) and a licensed real estate broker (as agent) by which the broker is employed to market the real estate within a given time for which service the owner agrees to pay a commission. Also, "listing agreement".

**Loan Commitment** - A written promise to make a loan for a specified amount on specified terms.

**Loan-To-Value Ratio** - The relationship between the amount of the mortgage and the appraised value of the property, expressed as a percentage of the appraised value.

**Market Value** - The highest price which a buyer, ready, willing and able but not compelled to buy, would pay, and the lowest price a seller, ready, willing and able but, not compelled to sell, would accept. Basis for "listing price", or "asking price".

**Mortgage** - A lien or claim against real property given by the buyer to the lender as security for money borrowed.

**Mortgage Life Insurance** - A type of term life insurance often bought by mortgagors. The coverage decreases as the mortgage balance declines. If the borrower dies while the policy is in force, the debt is automatically covered by insurance proceeds.

**Mortgage Note** - A written agreement to repay a loan. The agreement is secured by a mortgage, serves as proof of indebtedness, and states the manner in which it shall be paid. Also, "deed of trust note."

**Negative Amortization** - Negative amortization occurs when monthly payments

fail to cover the interest cost. The interest that isn't covered is added to the unpaid principal balance, which means that even after several payments you could owe more than you did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments that aren't high enough to cover the interest.

**Origination Fee** - A fee or charge for work involved in evaluating, preparing, and submitting a proposed mortgage loan. The fee is limited to 1 percent of FHA and VA loans.

**PITI** - Principal, interest, taxes and insurance.

**Planned Unit Development (PUD)** - A zoning designation for property developed at the same or slightly greater overall density than conventional development, sometimes with improvements clustered between open, common areas. Uses may be residential, commercial or industrial.

**Point** - An amount equal to 1 percent of the principal amount of the investment or note. The lender assesses loan discount points at closing to increase the yield on the mortgage to a position competitive with other types of investments.

**Prepayment Penalty** - A fee charged to a mortgagor who pays a loan before it is due. Not allowed for FHA or VA loans.

**Principal** - This word has several meanings:

- a) to denote the most important;
- b) a capital sum lent on interest;
- c) one who appoints an agent to act on their behalf;
- d) either party to a contract.

**Private Mortgage Insurance (PMI)** - Insurance written by a private company protecting the lender against loss if the borrower defaults on the mortgage.

**Prorate** - To allocate between seller and buyer their proportionate share of an obligation paid or due. For example a prorate on real property taxes, fire insurance, or condominium fee.

**Purchase Agreement** - A written document in which the purchaser agrees to buy certain real estate and the seller agrees to sell under stated terms and conditions. Also called a sales contract, earnest money contract, or agreement for sale.

**Realtor** - A real estate broker or associate active in a local real estate board affiliated with the National Association of Realtors.

**Regulation Z** - The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection Act.

**Survey** - A map or plat made by a licensed surveyor showing the results of measuring the land with its elevations, improvements, boundaries, and its relationship to surrounding tracts of land. A survey is often required by the lender to assure a building is actually sited on the land according to its legal description.

**Tenancy in Common** - A type of joint ownership of property by two or more persons with no right of survivorship.

**Title Insurance** - Protects lenders and homeowners against loss of their interest in property due to legal defects in title.

**Title Search or Examination** - A check of the title records, generally at the local courthouse, to make sure the buyer is purchasing a house from the legal owner and there are no liens, overdue special assessments, or other claims.

**Transfer Tax** - State tax, local tax (where applicable) and tax stamps (in some areas) required by law when title passes from one owner to another.

*Cited from Elaine Quigley: <http://www.eqre.com>*

## **Other Resources and Contacts**

### **Affordability Calculator**

[https://www.masshousing.com/portal/server.pt/gateway/PTARGS\\_0\\_2\\_779\\_225\\_0\\_43/http%3B/MHALPORTAL02/HomeBuyingHTMLServices/AffordabilityCalculator.aspx?lang=en-US](https://www.masshousing.com/portal/server.pt/gateway/PTARGS_0_2_779_225_0_43/http%3B/MHALPORTAL02/HomeBuyingHTMLServices/AffordabilityCalculator.aspx?lang=en-US)

### **Monthly Income Worksheet**

[https://www.masshousing.com/portal/server.pt/gateway/PTARGS\\_0\\_2\\_779\\_225\\_0\\_43/http%3B/MHALPORTAL02/HomeBuyingHTMLServices/CalcGrossIncome.aspx?lang=en-US](https://www.masshousing.com/portal/server.pt/gateway/PTARGS_0_2_779_225_0_43/http%3B/MHALPORTAL02/HomeBuyingHTMLServices/CalcGrossIncome.aspx?lang=en-US)

### **Monthly Debt Worksheet**

[https://www.masshousing.com/portal/server.pt/gateway/PTARGS\\_0\\_2\\_779\\_225\\_0\\_43/http%3B/MHALPORTAL02/HomeBuyingHTMLServices/CalcDebtPayments.aspx?lang=en-US](https://www.masshousing.com/portal/server.pt/gateway/PTARGS_0_2_779_225_0_43/http%3B/MHALPORTAL02/HomeBuyingHTMLServices/CalcDebtPayments.aspx?lang=en-US)

### **Sample Credit Report**

[http://www.truecredit.com/pdf/learnCenter/Reading\\_Your\\_Report.pdf](http://www.truecredit.com/pdf/learnCenter/Reading_Your_Report.pdf)

### **To Obtain your Credit Report**

<http://www.experian.com/>  
<http://www.transunion.com/>  
<http://www.equifax.com/home/>

### **To Pre-qualify Online**

[https://www.masshousing.com/portal/server.pt?open=514&objID=286&parentname=CommunityPage&parentid=2&mode=2&in\\_hi\\_userid=2&cached=true](https://www.masshousing.com/portal/server.pt?open=514&objID=286&parentname=CommunityPage&parentid=2&mode=2&in_hi_userid=2&cached=true)

### **Loans Available through MassHousing**

[https://www.masshousing.com/portal/server.pt?open=512&objID=225&&PageID=287&mode=2&in\\_hi\\_userid=2&cached=true](https://www.masshousing.com/portal/server.pt?open=512&objID=225&&PageID=287&mode=2&in_hi_userid=2&cached=true)

### **To find local Home-buying Counselors**

[https://www.masshousing.com/portal/server.pt?open=512&objID=225&&PageID=289&mode=2&in\\_hi\\_userid=2&cached=true](https://www.masshousing.com/portal/server.pt?open=512&objID=225&&PageID=289&mode=2&in_hi_userid=2&cached=true)

### **Homebuyer's Guides Online:**

<http://www.hud.gov/buying/>

### **More Handbooks and Guides:**

The Smart Consumer's Guide to Home Buying. Publisher: Barron's Educational Series, Inc.

Better Money Management. Publisher: Channing Bete Company, Inc.

**Start Building Your Team to Homeownership!**  
*Interviewees Featured in our Television Program:*

**Financial Counselor:**

Brian Joyce at Alexander Aronson Finning  
508-366-9100  
<http://www.aafcpa.com/>

**Mortgage Broker:**

Rob Mildish at Key Home Mortgage Corporation  
508-366-0636  
<http://www.keyhomemortgage.com/>

**Realtor:**

Elaine Quigley  
508-366-3766  
<http://www.eqre.com/>

**Home Inspector:**

Mike Sereti at Central Mass Home Inspectors  
508-523-3382

**Real Estate Attorney:**

Gary Sanginario of Gary P. Sanginario Law  
508-366-1061  
<http://www.gsanginariolaw.com/>