

tsahc

T E X A S  
State Affordable Housing Corporation

**LOAN AND HOME BUYING BEST PRACTICES**

# About TSAHC



The Texas State Affordable Housing Corporation (TSAHC) is a nonprofit housing corporation created at the direction of the Texas Legislature to facilitate the creation of safe, decent and affordable housing for low-income Texans.

TSAHC accomplishes this by:

**AFFORDABLE HOUSING PROGRAMS IN TEXAS**

Ready to buy a home? We can help. ▶

<p><b>Build</b> ▶</p> <p><b>Programs for Developers</b></p> <p>Helping developers build better housing for working families.</p>	<p><b>Buy</b> ▶</p> <p><b>Programs for Homebuyers, Lenders, and Realtors</b></p> <p>Helping homebuyers achieve the American dream of homeownership.</p>	<p><b>Stay</b> ▶</p> <p><b>Programs for Homeowners and Housing Counselors</b></p> <p>Helping homeowners sustain homeownership and improve their finances.</p>
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# Home Buying Best Practices



**Things to consider when buying a home:**

- Down Payment: Either save for a down payment or look for a lender that offers Down Payment Assistance programs.**
- Factor in monthly expenses: Just because a borrower can qualify for the loan, their expenses might not qualify them for an affordable mortgage payment.**
- Shopping for a mortgage: It is very important to find a lender that offers a variety of products and understands what a person can afford.**
- Get educated: Understanding the mortgage and financing process is extremely important for a homebuyer , classes and seminars are available in person and online.**

# Benefits of Becoming a Homeowner



- i Homeowners can usually deduct mortgage interest on your tax return.**
- i Helps to build equity paying a mortgage, whereas it won't happen while paying rent.**
- i Historically, homes have proven to appreciate over time.**
- i Most of the times it helps to avoid increases in a monthly payment something homebuyers can't avoid while paying rent.**

# How much can a person afford?



- Prequalify for a mortgage,**
- Review your credit, and**
- Develop a budget you can live with.**

# Prequalifying for a Mortgage



**Prequalifying shows where a homebuyer stands financially, based upon their current income, debt and savings. In doing so, they can determine:**

- i An *estimate* of a home purchase price and monthly house payment that they can afford,**
- i How much money will be needed for the down payment (the difference between the sales price and the amount of the mortgage), and**
- i Budgeting goals needed to set and achieve**

# Who can help prequalify?



- A Loan Officer,
- A home-purchase counselor, or
- A Real Estate agent.

**Prequalification is the process of estimating the home price and maximum monthly mortgage payment a homebuyer could afford and qualify for, based on his/her monthly income and debts, and current interest rates.**

# Reviewing Credit



**Credit permits homebuyers to obtain something now for little or no money out of their pocket, and pay for it over a specific period of time.**

- Identifying Information**
- Credit Information**
- Public Record Information**
- Inquiries**

**Almost as important as what is on a credit report is what isn't: no information about race, religious preference, medical history, personal lifestyle, personal background, political preference or criminal record.**



# Develop a Budget



**A budget is a written plan that lays out income and expenses as precisely as possible. Budgets and spending plans are critical to using credit wisely and to meeting financial goals, such as saving up for down payment or making a monthly mortgage payment. With these tools, homebuyers will uncover their spending patterns, and discover places where they can save.**

# Developing a Budget



- Adjusting buyer's attitude**
- Identifying buyer's expenses**
- Getting it down in writing**
- Following some helpful tips**
- Making simple, logical changes to lifestyle**

# Buying your home



- What to look for in a home**
- How Real Estate agents can help**
- What to do before making an offer on a property**
- How to make an Offer to Purchase**

# Getting a Mortgage



- **Homebuyer Rights**
- **What to consider when choosing a mortgage**
- **The mortgage process**

# Important documents



**Regardless of the type of mortgage is chosen two very important documents Homebuyer needs to be familiar with his/her mortgage are:**

- Loan Estimate, also known as LE**
- Closing Estimate, also known as CD**

# Loan Estimate (LE)



**A Loan Estimate is a three-page form that you receive after applying for a mortgage. The Loan Estimate tells you important details about the loan you have requested. The lender must provide you a Loan Estimate within three business days after receiving application.**

**The Loan Estimate is a new form that goes into effect on October 3, 2015.**

**It is given after an application has been completed and it can be used to compare costs with different lenders.**

# Closing Estimate (CD)



**A Closing Disclosure is a five-page form that provides final details about the mortgage loan you have selected. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs).**

**The Closing Disclosure is a new form. For most kinds of mortgages, borrowers who apply for a loan on or after October 3, 2015 will receive a Closing Disclosure.**

**The lender is required to give you the Closing Disclosure at least three business days before you close on the mortgage loan. This three-day window allows you time to compare your final terms and costs to those estimated in the Loan Estimate that you previously received from the lender. The three days also gives you time to ask your lender any questions before you go to the closing table.**

# Choosing the Best Loan



**When homebuyers start shopping around for a loan program, it's important to take into consideration:**

- Payment's stability,**
- Ability to qualify for the loan amount,**
- How long the homebuyer plans to live in the home,**
- Whether the income is stable or rising,**
- The possibility of significant interest rate changes,**
- The amount of up-front costs, and**
- Whether the homebuyer can comfortably afford the monthly mortgage payment.**



# House Payment Might Include...



- **Principal and interest payment,**
- **Real estate taxes and homeowners insurance, and**
- **Mortgage Insurance or other costs like homeowners association fees.**

# Down Payment Options



- **VA Loans**
- **FHA loans**
- **USDA loans**
- **Conventional Loans**
- **Texas Veterans Programs**
- **Bond or Down Payment Assistance Loans**

# VA Loans



- **Veterans Affairs Insures the loan**
- **No Mortgage Insurance payment**
- **No down payment required with eligibility**
- **Veteran must occupy property**
- **Satisfactory credit and re payment ability**
- **Funding Fee**
- **Closing Costs**
- **Property Must Meet VA requirements**

# FHA Loans



- **Federal Housing Administration Insures the loan**
- **3.5% down payment**
- **Satisfactory Credit and Debt to Income Ratio**
- **Employment History**
- **At least one borrower must occupy property**
- **Up front mortgage Insurance is 1.75%, monthly mortgage insurance is .85%**

# USDA Loans



- **United States Department of Agriculture insures the loan**
- **Good only in rural areas**
- **No Down Payment required**
- **Satisfactory credit and repayment ability**
- **Non traditional credit allowed**
- **Guarantee Fee is 2.75%**
- **Mortgage Insurance is .50**

# Conventional Loans



- Insured by a private mortgage insurance, the government does not insure this type of loans
- At least 3% down payment
- Satisfactory credit and repayment ability
- Mortgage Insurance is included in your monthly payment unless putting 20% down payment

# Texas Vet Loans



- Available for qualified Veterans**
- Can be used with FHA, VA, or Conventional loan**
- It usually offers a lower interest rate**
- Has a .50 discount on the rate if the veteran has 30% or more disability**

# Down Payment Assistance Programs



- **Helps Home Buyers with down payment assistance**
- **Has fixed interest rate**
- **Can be used in combination with Conventional, FHA, VA, USDA loans.**
- **Must occupy property and cannot be used for business**
- **Has income and purchase limits limitations**



# Mortgage Credit Certificate (MCC)



- § **Exclusive for first-time buyers that have a tax liability (file taxes)**
- § **Gives the homeowner the ability to take an annual tax credit of up to \$2,000**
- § **Potential of saving the homeowner thousands of dollars over the life of the loan**
- § **Must occupy the home as their principal residence**
- § **Can be combined DPA assistance programs**
- § **Credit amount can be used as additional income when qualifying for a mortgage loan**

# Successful Home Owners Understand



- **Maintenance**
- **Prioritizing improvements and repairs**
- **Doing the work themselves or hiring a professional**
- **Insuring their home**
- **Establishing a rainy day reserve**
- **Getting help if they get into financial trouble**

# Best Homebuying Practices



**In conclusion it is important to take into consideration the following when considering buying a home:**

- Make sure spouses agree on what is important for both**
- Know what would be the home that best works for the homebuyers**
- Understand financials and get counseling on which will be the best type of loan**