

HOMEOWNER'S GUIDE

Neighbors, Inc. Financial Empowerment Program



neighborsinc.
**FINANCIAL
EMPOWERMENT**

Table of Contents:

- **Get Started – Know the Basics**
- **Make a Home Buying Plan**
- **Explore Home Costs – Both Upfront and Ongoing**
- **Understand and Improve Your Credit Score**
- **How to Make an Offer**
- **Understanding Mortgages**
- **Working with Realtors**
- **Home Tour Checklist**
- **Prepare to Move In!**

Every effort has been made to provide you with accurate and complete information. Resources provided include links to third-party content that consumers may find helpful. Neighbors does not control or guarantee the accuracy of any third-party information. By listing these links, Neighbors is not endorsing the views of any third-party resources. Regardless of the information and resources provided, consumers are entitled to choose whatever products, services or third-party resources that best meet their needs and this will not affect their access to Neighbors' services.

Get Started

Homeownership is one of the benchmarks for achieving financial well-being. The process takes time, knowledge, resources, and money. Neighbors, Inc. is here to support you as you discern if the right time is now.

Topics Include:

- What will I learn?
- Renting vs. Buying
- Where do I want to live?
- What do I need and want in a home?

Sources:

- [Homebuyer's Handbook](#) - MN Attorney General, 2022
- [Mortgagecalculator.org](#)
- Jenny Sanford AFC® - Financial Empowerment Manager – Neighbors, Inc.

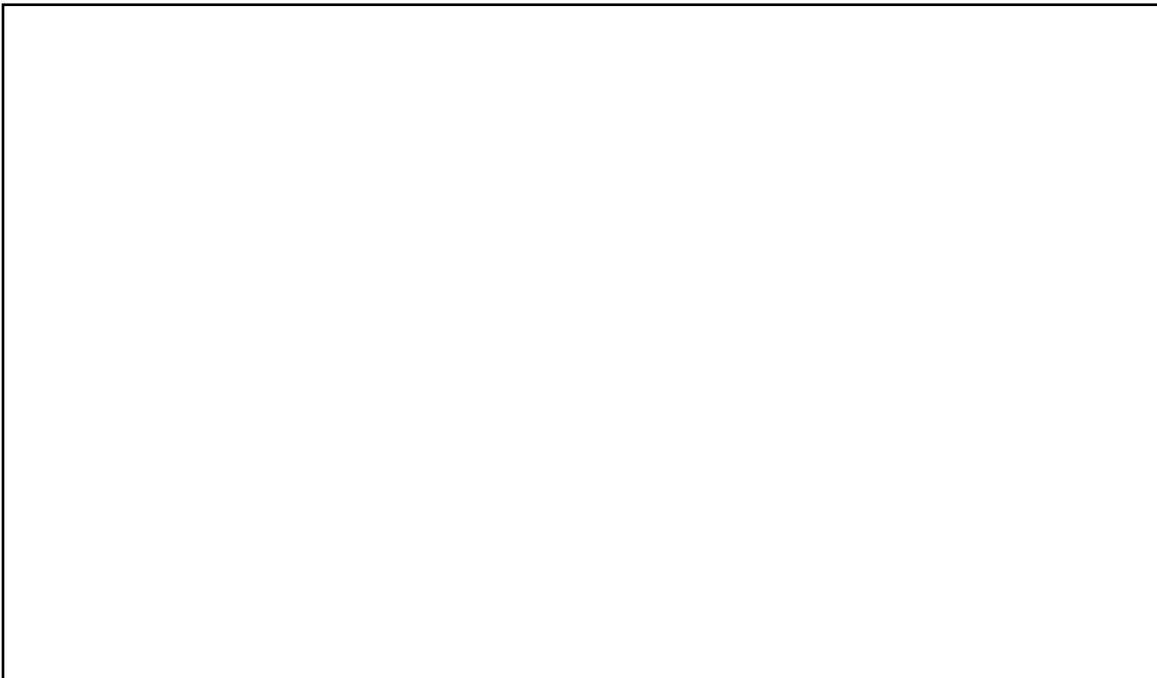
Every effort has been made to provide you with accurate and complete information. Resources provided include links to third-party content that consumers may find helpful. Neighbors does not control or guarantee the accuracy of any third-party information. By listing these links, Neighbors is not endorsing the views of any third-party resources. Regardless of the information and resources provided, consumers are entitled to choose whatever products, services or third-party resources that best meet their needs and this will not affect their access to Neighbors' services.

Buying your first home is an exciting and nerve-racking experience. Our Financial Empowerment team is here to walk alongside you while you make decisions about where you will live next. By working through the Homeownership Modules, you can develop the skills, knowledge, and confidence to purchase your first home.

Some of the question you will answer are:

- What home can I afford?
- How do I save for a down payment?
- What is my credit score?
- Are there first time homebuyers programs I could apply for?
- Is it better for me to own or rent?
- What is the best mortgage option for me?
- How do I choose a relator?
- How do I make an offer?
- Will I need homeowners insurance?

Before getting started, take some time to imagine what your first home looks like and sketch it below. Do you have a yard? Are there trees? Is there a garage? Who is in the home? What is it near? Does it have a second floor?



Use a pencil, this vision may change as you learn more. Planning with the end in mind helps create a goal to work towards.

Renting vs. Buying

Graphic Source: <https://www.mortgagecalculator.org/calculators/buy-vs-rent-calculator.php>

There are seasons in life when renting makes the most sense. The graphic below explores some of the pros and cons of renting and buying.



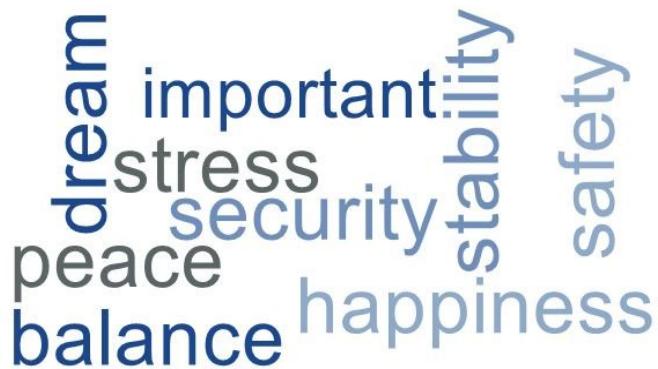
[Mortgage Calculator](#) also offers a tool to figure out if now is the right time to continue renting or to purchase a home.

[Get Started](#)

Building Your Dream

Home Buyer's Handbook: Where do you want to live? MN Attorney General

There are two ways to decide what you want in a house. One is to close your eyes and dream. The other is to open them and look around. A little of both may be the best advice for finding the home you want. Look beyond a spiral staircase, the new carpeting, the kitchen space—or whatever catches your fancy in home design. First, look closely at the neighborhood to decide where you want to live.



Ask yourself: Is it safe? Accessible to work? Near good schools? Check out traffic and noise at different times of the day. Answering these questions and others like them will help you decide where to live. Furthermore, if you're concerned that your home is a good investment, be sure to find out if property values are rising or falling in the neighborhood. The county assessor's office or a real estate agent who knows the neighborhood should have the answer. Here's a list of factors to consider:

Traffic Level

If you want privacy, have children, or just don't like noise, you'll want to know if the street where you may live is busy with traffic. While a street may seem quiet in the middle of the day, be sure to watch and listen during rush hour. Is it a throughway for traffic? Is it an alternate route for local commuters? What about airplane traffic? Is there a flight pattern right over the home you're thinking of buying?

Commute Time

You may find a better deal on a home outside a city, but will you be able to stand the longer commute if you work in the city? Try the commute during your normal drive-time to see if you're comfortable with it. If you'll be taking public transportation, find out how often buses run, how long the routes take, and how far you'll need to walk or drive to the bus stop.

Community

Ask for a Resident's Guide from the Chamber of Commerce to get a feel for the communities you are interested in. These guides include information about income levels, taxes, schools, and other important factors. Another way to find out about the community is to look at an issue of a community newspaper online or at a local store or library. Reading it will tell you what issues are of concern to local residents.

NEIGHBORS CAN HELP

ASK FOR A COPY OF
SOUTH METRO LIVING
GUIDE TO LEARN MORE
ABOUT THE
COMMUNITIES WE SERVE.

To find out about local entertainment, cultural events, community happenings, and religious organizations, check the listings and the local newspaper. And find out what's going on by scouring bulletin boards at local libraries, coffee shops, and similar gathering spots. In addition, the Internet can also be a useful tool in answering the questions above.

Nearby Schools

For parents, little is more important than schools when choosing where to live. Feel free to schedule visits to schools, talk to the teachers, and ask neighbors for their opinions.

What Do You Want in a House?

Homes can fit every taste and lifestyle. Perhaps you'd like a traditional home with a large kitchen, a downstairs bathroom, and good insulation for those below-zero days. Maybe you want the convenience of a condominium unit or townhouse to avoid the hassles of yard work and other exterior maintenance. Perhaps you've always dreamed of a contemporary, spacious home where you can have privacy—even if you have to build it to get it. Each type of house has advantages and disadvantages to consider before you start house hunting.

	Advantages	Disadvantages
Older Homes	<ul style="list-style-type: none">Established NeighborhoodsConstructed with Higher quality materialsCharacter and charmLess ExpensiveProperty Taxes are more predictableImprovements often result in higher value of home	<ul style="list-style-type: none">Wiring might be inadequateInefficient plumbing, heating and windowsCarpeting and wallpaper might need to be removed
Newer Home	<ul style="list-style-type: none">"Builder Built" homes in a development can be cheaper because products are ordered in bulkIncrease in value fasterMore energy efficientMore spacious than older homes	<ul style="list-style-type: none">Neutral colorsUsually not accessible by public transportationCookie cutter style and flimsier materials for building
Condo or Townhome	<ul style="list-style-type: none">Benefits of homeownership	<ul style="list-style-type: none">Apartment style or small homeShare common spaces as a part of a communityMember of Association and make joint decisions about property

Home Buying Plan

There are many things to consider when purchasing your first home. Understanding where you stand today is an important step in reaching your goal. In this section, you will learn about the importance of saving for your down payment and checking your credit score.

Topics Include:

- **Can I afford a house?**
- **What's my price range?**
- **Monthly Payment Estimates**
- **Closing costs**
- **Set aside money for initial home expenses**
- **Savings plan**
- **What do lenders want?**
- **Credit Score**
- **First Time Home Buyer Programs**
- **Get your team in place**
- **Planning for "What If"**

Sources:

- [Homebuyer's Handbook](#) – Attorney General of MN, 2022
- Consumer Financial Protection Bureau (CFPB)
- Jenny Sanford AFC® - Financial Empowerment Manager – Neighbors, Inc.

Every effort has been made to provide you with accurate and complete information. Resources provided include links to third-party content that consumers may find helpful. Neighbors does not control or guarantee the accuracy of any third-party information. By listing these links, Neighbors is not endorsing the views of any third-party resources. Regardless of the information and resources provided, consumers are entitled to choose whatever products, services or third-party resources that best meet their needs and this will not affect their access to Neighbors' services.

Financial Empowerment Program at Neighbors, Inc.

222 Grand Avenue West • South St. Paul, MN 55075 • (651) 455-5000 • neighborsmn.org

Home Buying Plan

Can I Afford a House?

Homebuyer's Handbook: Thinking About Buying a Home – MN Attorney General 2022.

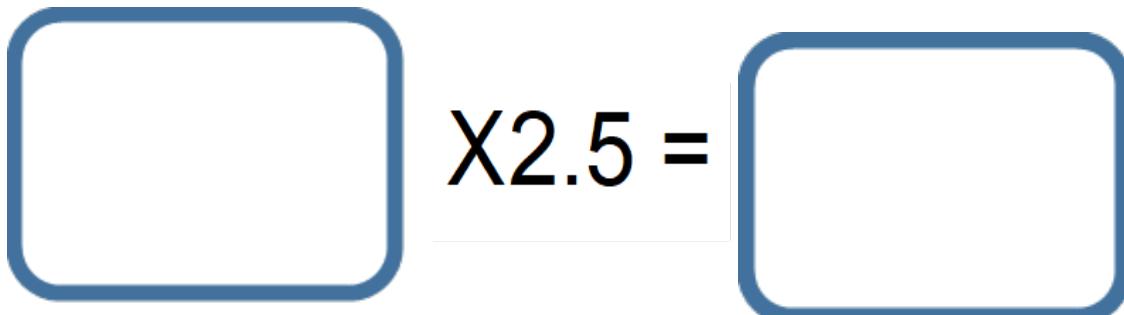
Perhaps you know people who bought homes and now complain about being “house poor.” That’s because they underestimated what they needed for home payments, maintenance, and other expenses. While some people don’t mind making sacrifices to own a home, you don’t have to be unpleasantly surprised later if you take the time now to figure out what you can comfortably afford. We’ve provided some formulas and worksheets in this chapter to help you.

***In general, experts say you can afford a home that costs about
2.5 times your yearly income.***

To accurately estimate what you can afford with your **income**, you’ll need to answer the following questions:

- How much can you afford for monthly home loan payments?
- How much money do you need each month to meet other obligations? (Consider utilities, home maintenance, medical bills, groceries, entertainment, and all other expenses.)
- How much cash have you saved for a down payment and other costs? (You usually need a minimum of 3.5% of the purchase price in cash or down payment assistance.)
- How much will you need for home closing costs? (These are the costs involved in transferring ownership. Usually they should be no more than 2% to 4% of the total amount of your loan.)

Income includes Social Security benefits, public assistance payments, child support, alimony and wages from full or part time employment.



Yearly Income

**Rough Estimate of home
You can afford**

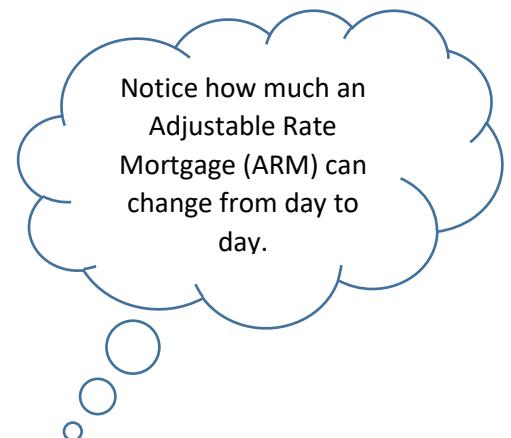
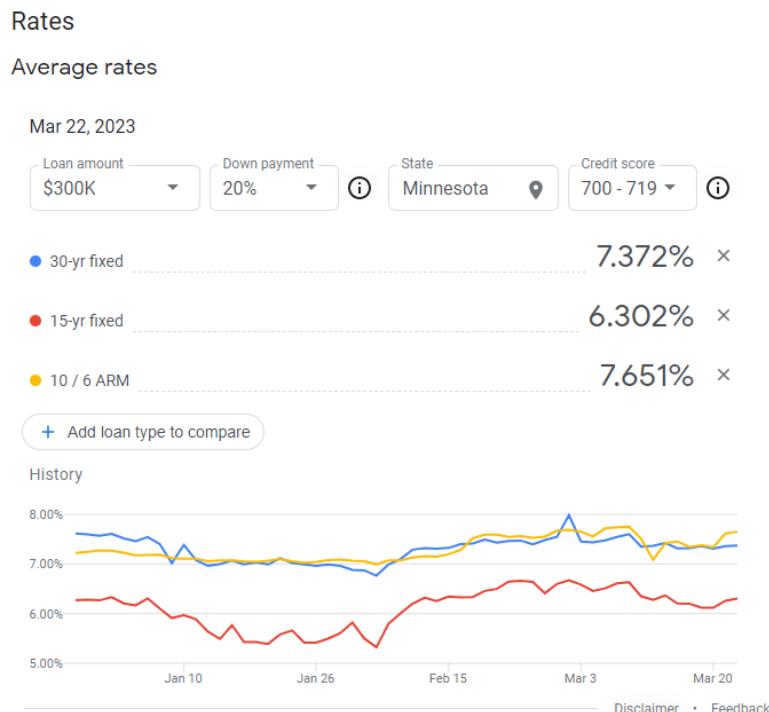
Most people do not have enough funds to pay for their entire home at purchase. Financing the purchase of a home is done with a mortgage. The type of mortgage used and interest rate significantly impacts what your monthly payments will be and the overall interest paid during the life of the loan.

What's my Price Range?

Now use the following charts to figure out your appropriate price range. You'll need to know what interest rates lenders are offering on loans. Rates vary from day to day and from lender to lender, so call several to find the best rate.

When looking at a rough estimate, you can do a quick google search for rates.

- Go to Google.com
- Type “Mortgage Rates” in the search bar
- A chart similar to below will appear
- Manipulate the Loan Amount, Down Payment, State and Credit Score to get an idea of what rates are today
- Write today's rates below in the boxes



30 Year Fixed Rate



15 Year Fixed Rate



Adjustable Rate Mortgage (ARM)

Monthly Payment Estimates

Graph Source: Homebuyer's *Handbook: Thinking About Buying a Home – MN Attorney General, 2022*
 Use the information for home purchase price, interest rates and mortgage type to estimate what your monthly payment would cost. Remember, these tables do not include other housing expenses such as property taxes, mortgage and homeowner's insurance, or maintenance and they do not include other debt obligations you may owe.

Monthly Payment Tables (Principal and Interest Only)

Term of Loan: 30 years

*Annual % rate, or APR, will be somewhat higher. **Loan plus other costs to be paid monthly.

AMOUNT FINANCED**	INTEREST RATE*										
	2.5%	3%	3.5%	4%	4.5%	5%	5.5%	6%	6.5%	7%	7.5%
\$50,000	198	211	225	239	253	268	284	300	316	333	350
\$75,000	296	316	337	358	380	403	426	450	474	499	524
\$100,000	395	422	449	477	507	537	568	600	632	665	699
\$125,000	494	529	561	597	633	671	710	749	790	832	874
\$150,000	593	632	674	716	760	805	852	899	948	998	1049
\$175,000	691	738	786	835	887	939	994	1049	1106	1164	1224
\$200,000	790	843	898	955	1013	1074	1136	1199	1264	1331	1398
\$225,000	889	949	1010	1074	1140	1208	1278	1349	1422	1497	1573
\$250,000	988	1054	1123	1194	1267	1342	1419	1499	1580	1663	1748
\$275,000	1087	1159	1235	1313	1393	1476	1561	1649	1738	1830	1923
\$300,000	1185	1265	1347	1432	1520	1610	1703	1799	1896	1996	2098
\$350,000	1383	1476	1572	1671	1773	1879	1987	2098	2212	2329	2447
\$400,000	1580	1686	1796	1910	2027	2147	2271	2398	2528	2661	2797
\$450,000	1778	1897	2021	2148	2280	2416	2555	2698	2844	2994	3146
\$500,000	1976	2108	2245	2387	2533	2684	2839	2998	3160	3327	3496
\$550,000	2173	2319	2470	2626	2787	2953	3123	3298	3476	3659	3846
\$600,000	2371	2530	2694	2864	3040	3221	3407	3597	3792	3992	4195
\$650,000	2568	2740	2919	3103	3293	3489	3691	3897	4108	4324	4545
\$700,000	2766	2951	3143	3342	3547	3758	3975	4197	4424	4657	4895
\$750,000	2963	3162	3368	3581	3800	4026	4258	4497	4741	4990	5244

Term of Loan: 15 years

*Annual % rate, or APR, will be somewhat higher. **Loan plus other costs to be paid monthly.

AMOUNT FINANCED**	INTEREST RATE*										
	2.5%	3%	3.5%	4%	4.5%	5%	5.5%	6%	6.5%	7%	7.5%
\$50,000	333	345	357	.40	382	395	409	422	436	449	464
\$75,000	500	518	536	555	574	593	613	633	653	674	695
\$100,000	667	691	715	740	765	791	817	844	871	899	927
\$125,000	833	863	894	925	956	988	1021	1055	1089	1124	1159
\$150,000	1000	1036	1072	1110	1147	1186	1226	1266	1307	1348	1391
\$175,000	1167	1209	1251	1294	1339	1384	1430	1477	1524	1573	1622
\$200,000	1334	1381	1430	1479	1530	1582	1634	1688	1742	1798	1854
\$225,000	1500	1554	1608	1664	1721	1779	1838	1899	1960	2022	2086
\$250,000	1667	1726	1878	1849	1912	1977	2043	2110	2178	2247	2318
\$275,000	1834	1899	1966	2034	2104	2175	2247	2321	2396	2472	2549
\$300,000	2000	2072	2145	2219	2295	2372	2451	2532	2613	2696	2781
\$350,000	2334	2417	2502	2589	2677	2768	2860	2953	3049	3146	3245
\$400,000	2667	2762	2860	2959	3060	3163	3268	3375	3484	3595	3708
\$450,000	3001	3108	3217	3329	3442	3559	3677	3797	3920	4045	4172
\$500,000	3334	3453	3574	3698	3825	3954	4085	4219	4356	4494	4635
\$550,000	3667	3798	3932	4068	4207	4349	4494	4641	4791	4944	5099
\$600,000	4001	4143	4289	4438	4590	4745	4903	5063	5227	5393	5562
\$650,000	4334	4489	4647	4808	4972	5140	5311	5485	5662	5842	6026
\$700,000	4668	4834	5004	5178	5355	5536	5720	5907	6098	6292	6489
\$750,000	5001	5179	5362	5548	5737	5931	6128	6329	6533	6741	6953

Save For Your Down Payment

New homeowners have a variety of expenses when they first move, and your work to build up a reserve or cash for those expenses will make the process much smoother. Costs for your new home will link to your down payment, closing costs and moving expenses.

How Much Should You Put Down?

Higher Down Payment

- Lower interest rate
- Lower monthly payment
- Reduced PMI premium

Lower Down Payment

- Purchase a home sooner
- More funds for renovation
- Keep emergency savings

Your down payment amount affects the type of loan you can get, your interest rate, and your loan costs.

Low- or no-down payment options may be available to you

- There are special programs for veterans and service members, rural residents, some types of first-time homebuyers and others.
- Individual lenders also offer their own low- or no-down payment options.
- Low-down payment options usually come at increased cost. When you meet with lenders, ask questions and ask to see multiple choices.

<https://mint.intuit.com/blog/planning/down-payment/>, March 2023

In general, the higher your down payment, the less your loan is likely to cost.

- In most cases, you need a down payment of at least 3% of your target home price. Many loan types and lenders require 5% down or more.
- You can often save money if you put down at least 10 % of the home price, and you'll save the most if you put down at least 20%.
- When lenders decide the interest rate and loan costs to offer you, they typically look at your down payment in increments of 5 %. There are usually no savings for putting down "almost" the required amount. For example, if you have enough saved for a down payment of 8% of your target home price, think about whether you could save up a little more before buying, or choose a slightly cheaper home, so you can hit the 10% mark.

$$\boxed{} \times .05 = \boxed{}$$

Price of Home

Down Payment

NEIGHBORS CAN HELP

Talk to your Financial Counselor about the Family Assets for Independence in Minnesota (FAIM) Program. Eligible participants can receive a 3:1 match for saving for a home.

Enrollment in this program requires regular monthly savings for 2 years and is a great way to build your down payment.

How your down payment amount affects your loan costs

When you make a larger down payment, you have lower monthly payments and your loan costs less overall.

This example uses a \$200,000 home price and a 30-year fixed-rate mortgage at 4% interest.



	EXAMPLE 1 20%	EXAMPLE 2 10%	EXAMPLE 3 5%
Down payment percentage	20%	10%	5%
Down payment amount	\$40,000	\$20,000	\$10,000
Loan amount	\$160,000	\$180,000	\$190,000
Annual mortgage insurance premium *	0%	0.50%	0.73%
Monthly principal and interest payment	\$763.86	\$859.35	\$907.09
Monthly mortgage insurance payment		\$75.00	\$115.58
Monthly mortgage payment (not including taxes and insurance)	\$763.86	\$934.35	\$1,022.67
Total interest + mortgage insurance over 5 years	\$30,548	\$38,866	\$43,211

* Based on published PMI rates, assumes a 720-739 credit score.



Compared to 5% down, a 20% down payment loan costs:

\$258.81 less per month

\$12,663 less in interest and mortgage insurance over 5 years

Closing Costs

CFPB: What fees or charges are paid when closing on a mortgage and who pays for them? September 8, 2020

When buying a home, the buyer generally pays all of the costs associated with that transaction. However, depending on the contract or state law, the seller may end up paying for some of these costs.

Even if you don't pay the mortgage closing fees directly out of pocket, you might end up paying them indirectly. Sometimes, you can negotiate with the seller for a "credit" towards your closing costs, but the seller will usually require you to pay a higher price for the home in order to cover the costs of this credit.

You're still paying for these costs—they are just paid through your loan instead of paid out of pocket. The lender can also offer to give you a credit to help with your closing costs. This credit isn't free either. Typically, the lender will either increase your loan amount to cover these costs, or charge you a higher interest rate in exchange for the credit.

Common closing fees or charges include:

- Appraisal fees
- Tax service provider fees
- Title insurance
- Government taxes
- Prepaid expenses such as property taxes, homeowners insurance, and interest until your first payment is due

A general estimate is that closing costs are 2-4% of the purchase price of the home.

x.03 =

Price of Home

Estimate of Closing Cost

NEIGHBORS CAN HELP

Your Financial Counselor can provide tools and tips for all types of Spending Plans to help meet your savings goals.



You Need a Budget Yearly Memberships



Goal Setting Resources



Pen and Paper Spending Plans

Set aside some money to cover initial home expenses

New homeowners often find things that need fixing or discover that they need an additional piece of furniture to make the new home work for their family. Moving expenses and utility set-up fees can also add up. When thinking about how much you can afford for a down payment, make sure to set aside some money to cover these expenses.

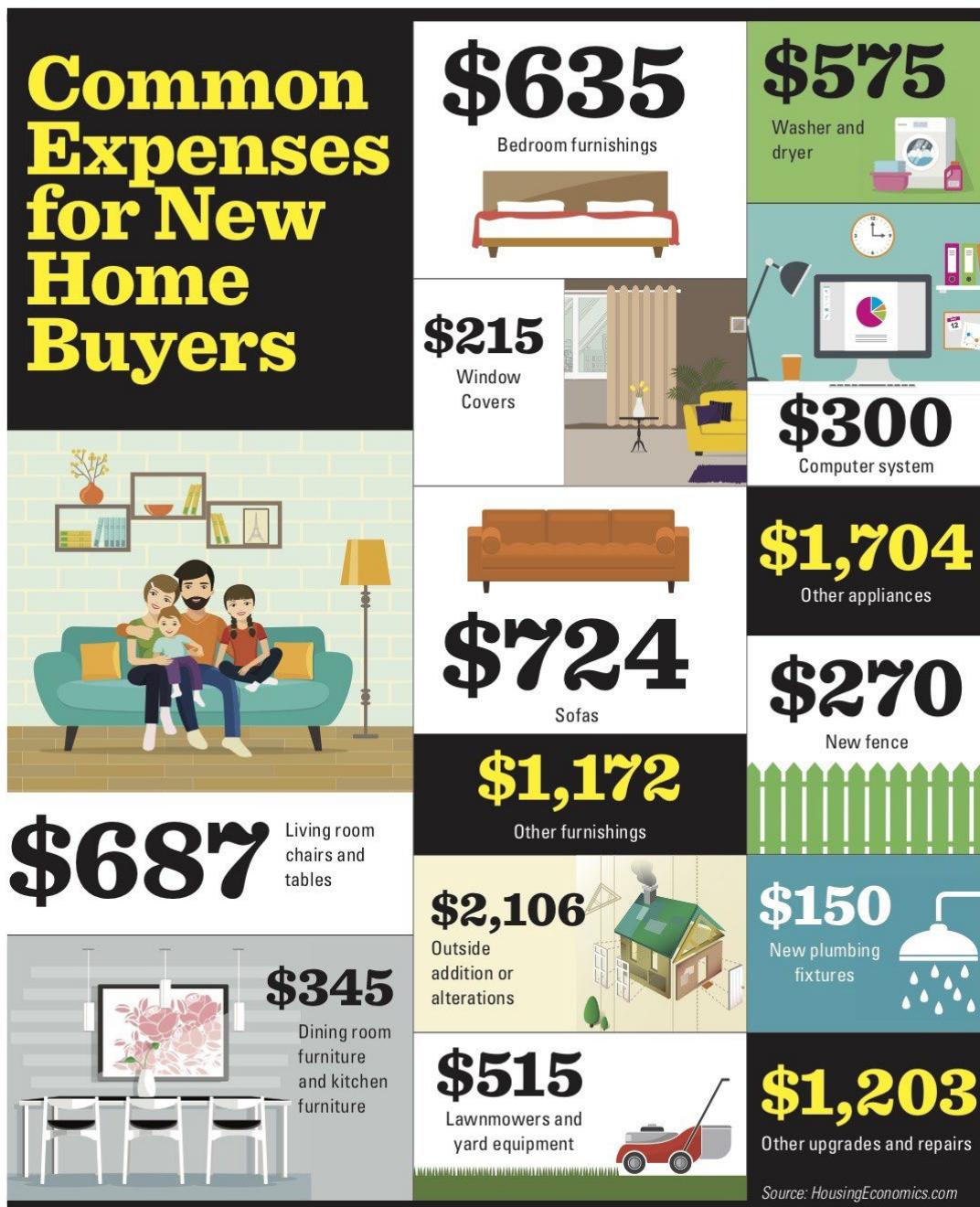


Image source: <https://tommy.realtor/infographic-common-expenses-for-new-home-buyers/>, 2022

Savings Plan

Put some data to your savings goal:

Look back for the estimates of costs and add them to the boxes below:

$$\boxed{\text{ }} + \boxed{\text{ }} + \boxed{\text{ }} = \boxed{\text{ }}$$

Down Payment Closing Costs Moving Expenses Savings Goal

Set a Deadline

$$\boxed{\text{ }} / \boxed{\text{ }} = \boxed{\text{ }}$$

Savings Goal Months until you buy Monthly Savings

To meet your savings goal you will need to:

- Earn More
- Spend Less
- Access support through Home Buyers Programs
- Combine all of the strategies above

The remainder of the purchase price of your home will be covered by financing. To better understand the costs of financing, Neighbors can assist with pulling your credit report

What Do Lenders Want from Me?

Homebuyer's Handbook: Thinking About Buying a Home – MN Attorney General 2022.

You may think you know what you can afford in a home, but will a lender agree? They are your key to qualifying for a home loan, and you need to impress them with your responsibility. They want to give you a loan—that's how they earn their money—but they have to make sure you can pay it back, too!

- Two years of verifiable employment
- Record of paying bills on time
- Credit Score of 580 +

Credit Score

Although no one can guarantee you a prime credit rating, the following tips can help you in improving or maintaining your **credit score**:

- **Have you paid your bills on time?**
Your credit score will vary depending on if you always, sometimes, or never pay your bills on time.
- **How much outstanding debt do you have?**
Many credit-scoring models evaluate the amount of debt you have compared to your credit limits. If your actual debt is equal to or near your credit limit, this will likely have a negative effect on your credit score.
- **How long have you had credit?**
The longer you have had credit and proven your ability to pay, the better your credit score.
- **How often do you apply for credit?**
Many scoring models consider whether you have applied for credit recently by looking at inquiries on your credit report. Credit scores are not affected by “pre-approved” credit offers. However, you should be aware that your credit report will be affected if you accept a pre-approved offer.

NEIGHBORS CAN HELP

Talk to your financial counselor about running your credit report and determining your score. Neighbors is able to offer this service free of charge.

If you find that your credit score is not optimal, we can provide strategies, products and supports to assist your work in building your score.

First Time Homebuyers Programs

Early in the home buying process, spend some time researching First Time Homebuyers Programs and your eligibility.

MN Housing Mortgage Programs

The Start Up program is for first-time homebuyers, defined as those who "have not had an ownership interest in a principal residence in the last three years." If you've never owned a home, or it's been more than three years since you've been a homeowner, you may be considered a first-time homebuyer.

Check income limits and contact participating lenders with questions about eligibility. Learn more about which Minnesota Housing program may be right for you.

Contact Information:

MN Housing

<https://mnhousing.gov>

400 Wabasha Street North

Suite 400

Saint Paul, MN 55102

651-296-7608

mn.housing@state.mn.us

Dakota County Community Development Association - (CDA)

Offers an array of housing resources to "improve the lives of Dakota County residents and enhance the economic vitality of communities through housing and community development."

These services include:

- First time Home Buyer Program
- Pre-Purchase Advising
- Home Stretch Homebuyer Education (\$20)
- Framework Online Homebuyer Education (\$75)

Contact Information:

Dakota County Community Development Association

<https://dakotacda.org>

1228 Town Center Drive, Eagan MN 55123

651-675-4400

info@dakotacda.org

Get My Team in Place

There are many people involved in the home buying process. The table below briefly describes how they assist and how they are paid:

Name	Role	How they are paid
Housing Counselor or Advisor	<ul style="list-style-type: none">• Teach homebuyer education• Offer counseling services to homebuyer	Most often a free service.
Loan Officer	<ul style="list-style-type: none">• Represent the one specific lending institution• Helps choose the best mortgage loan based on your situation	Buyer – at closing
Mortgage Broker	<ul style="list-style-type: none">• Shops for mortgage loans for buyer• Has relationship with many lenders	The mortgage lender usually pays the broker after the loan has closed.
Real Estate Agent	<ul style="list-style-type: none">• Represent the buyer and or seller in a real estate transaction	Dependent on the market. Percentage of home sale at closing – Most often paid by seller's broker
Home Inspector	<ul style="list-style-type: none">• Evaluate home's physical condition• Provide a written report	Buyer – at time of Inspection
Loan Processor	<ul style="list-style-type: none">• Verify information you submit to the lender• Requests additional information for your loan application if needed	Buyer – Included with the lender fees
Underwriter	<ul style="list-style-type: none">• Work with lender• Determine if mortgage application should be approved	Buyer – Included with the lender fees
Appraiser	<ul style="list-style-type: none">• Determine market value of home	Buyer – at closing
Insurance Agent	<ul style="list-style-type: none">• Represent Insurance company• Sells home owners insurance	Buyer - insurance payments
Closing Agent	<ul style="list-style-type: none">• Makes sure all closing documents are completed by closing date	Buyer – at closing
Loan Servicer	<ul style="list-style-type: none">• Service loans• Collect payments• Manage Escrow Accounts• Pay Homeowners Insurance and Taxes when due	Buyer - Interest on Loan

“What if” My Referral Team

When owning a home, you are your own landlord. When something breaks, you are responsible fix or replace it. Getting a referral team lined up who you can reach out to for help can reduce stress when maintenance and repairs come up.

Dakota County Community Development Association - (CDA)

Offers an array of housing resources to “improve the lives of Dakota County residents and enhance the economic vitality of communities through housing and community development.”

These services include:

- Weatherization Assistance Program
- MN Housing Finance Agency Rehabilitation Loan Program
- Home Improvement Loan Program
- Foreclosure Prevention

Contact Information:

<https://dakotacda.org>

1228 Town Center Drive, Eagan MN 55123

651-675-4400

info@dakotacda.org

Energy Assistance Program - CAP Agency

Community Action Partnership of Scott, Carver and Dakota Counties (CAP)

CAP Agency’s Energy Assistance Program (EAP) helps eligible households with energy bill payment assistance, home energy crisis intervention, outreach, energy advocacy, information about utility consumer rights, and referrals.

Contact Information:

<https://capagency.org>

2496 145th St. West

Rosemount, MN 55068

651-322-3500

Eap-info@capagency.org

Who do you know?

Plumbing: _____

Heating and Cooling: _____

Appliances: _____

Handyman: _____

Calculate Your Home Cost

Now that you have spent some time assessing where you are today, this section will help figure out the day-to-day cost of homeownership.

Topics Include:

- **Mortgage Calculator**
- **PITI – Principle, Interest, Taxes, Insurance**
- **Live for a month “As If”**

Sources:

- Mortgagecalculator.org
- Dakota County Property Tax Search -
<https://www.co.dakota.mn.us/HomeProperty/TaxStatements/Pages/default.aspx>
- BusinessInsider.com
- Homedepot.com
- Federal Trade Commission
- Jenny Sanford AFC® - Financial Empowerment Manager – Neighbors, Inc.

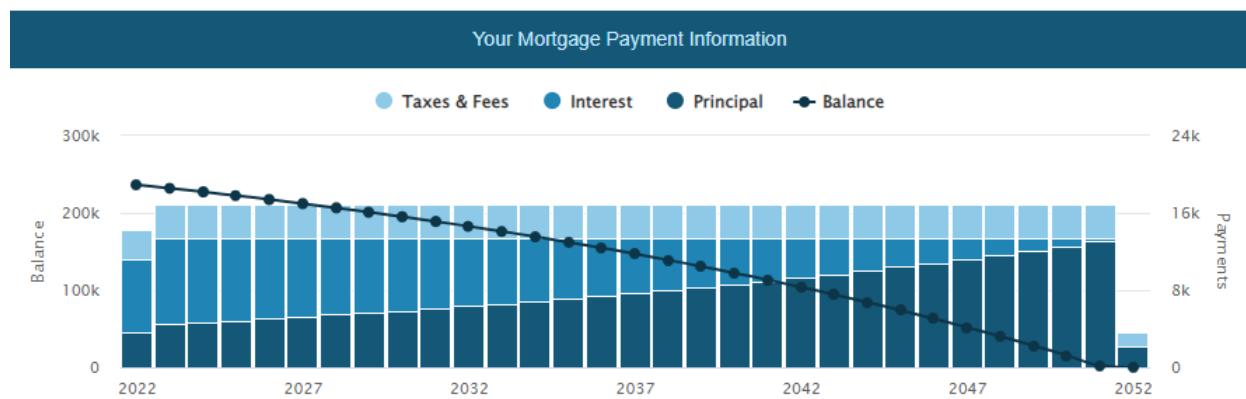
Every effort has been made to provide you with accurate and complete information. Resources provided include links to third-party content that consumers may find helpful. Neighbors does not control or guarantee the accuracy of any third-party information. By listing these links, Neighbors is not endorsing the views of any third-party resources. Regardless of the information and resources provided, consumers are entitled to choose whatever products, services or third-party resources that best meet their needs and this will not affect their access to Neighbors' services.

Mortgage Calculator

Image source: www.mortgagecalculator.org

Your mortgage payment will be a combination of Principle, Interest, Taxes and Insurance or PITI. The below graph demonstrates how at the start of the life of your loan, the majority of your payments will go towards interest, and that as this slowly goes down, your principle payments go up. Taxes, fees and insurance stay relatively the same over the life of the loan.

Mortgage Calculator



The terms of your mortgage will depend upon your credit score, the purchase price and loan term. To compare current mortgages rates for today, use the tools on Mortagecalculator.org

PITI – Principle, Interest, Taxes & Insurance

Principle

Principle is the amount of money that you are borrowing to purchase the home. This number can be determined by subtracting your down payment from the purchase price and closing cost of your home. When your principle is paid off, you no longer have a mortgage.

Interest

This is the amount of money that is spent for the opportunity to borrow money. The amount of money spent on interest is determined by your interest rate, the amount of money borrowed and the amount of time you are taking to pay the principle back. Lower the amount paid on interest by:

- Having a higher credit score
- Having a larger down payment
- Making additional payments against the principle of the loan

Taxes

Property taxes will vary based on the city and county in which you choose to live and go towards funding local amenities and services. Use the Dakota County Website to learn about taxes in the community you're interested as well as to learn more through their resource "Property Tax 101."

Consider reaching out to those communities to ask for a table of what the average yearly taxes are. To figure out how much this monthly amount will be, simply divide by 12.

An example of a property tax statement is on the next page.

Property Tax: The annual amount paid by a land owner to the local government or municipal corporation of his area

Homeowners Insurance

Business Insider: How much the average homeowner pays for insurance in the US, by state and home value. Clint Proctor and Liz Knueven February 8, 2021 <https://www.businessinsider.com/personal-finance/average-homeowners-insurance-cost>

Homeowners insurance is a necessity because it protects your home and possessions against damage or theft. Virtually all mortgage companies require borrowers to have insurance coverage for the full or fair value of a property (usually the purchase price) and won't make a loan or finance a residential real estate transaction without proof of it.

- Homeowners insurance policies generally cover destruction and damage to a residence's interior and exterior, the loss or theft of possessions, and personal liability for harm to others.
- Three basic levels of coverage exist: actual cash value, replacement cost, and extended replacement cost/value.
- Policy rates are largely determined by the insurer's risk that you'll file a claim; they assess this risk based on past claim history associated with the home, the neighborhood, and the home's condition.
- In shopping for a policy, get quotes from at least five companies, and definitely check with any insurer you already work with—current clients often get better deals.

Homeowner's Insurance is typically paid through an escrow account added to your mortgage payment. Each home's costs for insurance vary widely based on a variety of factors, including your home's value.

Estimated Home Value	Average HO3 annual Premium	Average Monthly Premium
\$ 50,000 - \$ 74,999	\$748	\$62
\$100,000 - \$124,999	\$888	\$74
\$125,000 - \$149,999	\$937	\$78
\$150,000 - \$174,999	\$981	\$82
\$175,000 - \$199,999	\$1,018	\$85
\$200,000 - \$299,999	\$1,114	\$93
\$300,000 - \$399,999	\$1,272	\$106
\$400,000 - \$499,999	\$1,482	\$124
\$500,000 and above	\$2,148	\$179

Private Mortgage Insurance (PMI)

When you apply for a mortgage, the lender will typically require a down payment equal to 20% of the home's purchase price. If a borrower can't afford that amount, a lender will likely look at the loan as a riskier investment and require that the homebuyer take out PMI, also known as private mortgage insurance, as part of getting a mortgage. PMI protects the lender, not the buyer, in the event that you default on your primary mortgage and the home goes into foreclosure.

- Lenders require borrowers to pay PMI when they can't come up with a 20% down payment on a home.
- PMI costs between 0.5% and 1.9% of the mortgage annually and is usually included in the monthly payment.
- PMI can be removed once a borrower pays down enough of the mortgage's principal.
- According to the Urban Institute, Freddie Mac estimates most borrowers will pay **\$30 to \$70 per month** in PMI premiums for every \$100,000 borrowed.

Private Mortgage Insurance (PMI): A common mortgage insurance that is required for conventional loan borrowers who make low down payments on the purchase of their home

SAMPLE



Dakota County Treasurer-Auditor
 1590 Highway 55
 Hastings MN 55033
 651-438-4576 Fax 651-438-4399
www.dakotacounty.us

Taxpayer copy
 Save this copy for future reference.
2022 Property Tax Statement

PROPERTY ID: #ABCDEFG

Tax Description: DEVELOPMENT 123
 ALL OF LOT 1 BLK 2 & WI

TAXPAYER:	ANYONE 123 FIRST STREET ANYWHERE , MN ZIP	Payable 2021	Payable 2022
		Estimated Market Value: 154,600	160,900
		Homestead Exclusion: 23,326	22,759
		Taxable Market Value: 131,274	138,141
		NewImp/Expired Exc: 0	0
		Property Class: RESD HSTD	RESD HSTD

1. Use this amount on Form M1PR to see if you're eligible for a property tax refund. File by August 15. **If this box is checked, you owe delinquent taxes and are not eligible.** \$1,964.00

2. Use this amount for the special property tax refund on schedule 1 on Form M1PR. **Property Tax and Credits** \$1,912.00

3. Property taxes before credits \$1,911.48 \$1,963.36

4. Credits that reduce property taxes
 A. Agricultural and Rural Credits \$0.00 \$0.00
 B. Other Credits \$0.00 \$0.00

5. Property taxes after credits \$1,911.48 \$1,963.36

Property Tax by Jurisdiction

6. County: A. Dakota County Levy \$270.06 \$269.54
 B. Regional Transit Rail \$0.00 \$0.00

7. City or Town: ANYWHERE \$832.28 \$889.52

8. State General Tax \$0.00 \$0.00

9. School District: 006 A. Voter Approved Levies \$360.34 \$353.50
 B. Other Local Levies \$347.14 \$338.06

10. Special Taxing Districts A. Metropolitan Special Taxing Districts \$27.02 \$27.48
 B. Other Special Taxing Districts \$74.64 \$85.26
 C. Tax Increment \$0.00 \$0.00

11. Non-school voter approved referenda levies \$0.00 \$0.00

12. Total property tax before special assessments \$1,911.48 \$1,963.36

- (Total) \$518.52

Principal: \$357.60
 Interest: \$143.04

- 14. Your Total Property Tax and Special Assessments** \$2,430.00 \$2,464.00

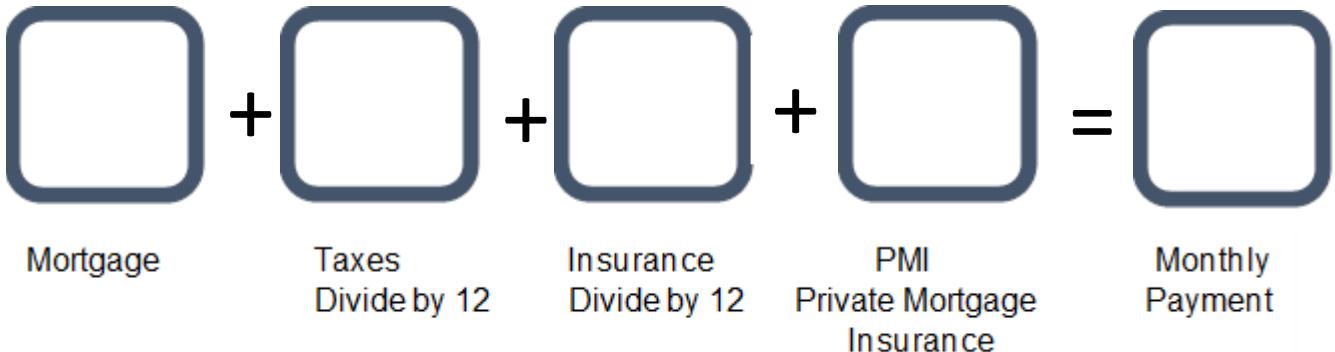
Do not use this statement for tax payments. Use link below. First half tax \$1,232.00

[Viewtax payment stub and payment information.](#) Second half tax \$1,232.00

[Viewtax statement in PDF.](#)

Calculate for Living a Month “As If”

Take some time and practice living for a month as if you are a homeowner. Use the information provided and calculate an estimate for your monthly payment.



Now use spend a month as if you were now a homeowner. Use the Consumer Finance Protection Bureau’s Interactive Budget now accounting for your new monthly mortgage amount, home repairs and insurance. Additionally, consider money that would be set aside each month to pay for maintenance and repairs on your home.

Any additional money “spent” in this scenario should be saved towards your down payment.



Use this worksheet to see how much money you spend this month. Then, use this month's information to help you plan next month's budget.

Some bills are monthly and some come less often. If you have an expense that does not occur every month, put it in the "Other expenses this month" category.

MONTH _____ YEAR _____

My income this month

Income	Monthly total
Paychecks (salary after taxes, benefits, and check cashing fees)	\$ _____
Other income (after taxes) for example: child support	\$ _____
Total monthly income	\$ 0.00

My expenses this month

Expenses	Monthly total
Rent or mortgage	\$ _____
Renter's insurance or homeowner's insurance	\$ _____
Utilities (like electricity and gas)	\$ _____
Internet, cable, and phones	\$ _____
Other housing expenses (like property taxes)	\$ _____

Food	
Groceries and household supplies	\$ _____
Meals out	\$ _____
Other food expenses	\$ _____

Transportation	
Public transportation and taxis	\$ _____
Gas for car	\$ _____
Parking and tolls	\$ _____
Car maintenance (like oil changes)	\$ _____
Car insurance	\$ _____
Car loan	\$ _____
Other transportation expenses	\$ _____

Make a Budget

Expenses	Monthly total
Medicine	\$ _____
Health insurance	\$ _____
Other health expenses (like doctors' appointments and eyeglasses)	\$ _____

Personal and Family	
Child care	\$ _____
Child support	\$ _____
Money given or sent to family	\$ _____
Clothing and shoes	\$ _____
Laundry	\$ _____
Donations	\$ _____
Entertainment (like movies and amusement parks)	\$ _____
Other personal or family expenses (like beauty care)	\$ _____

Finance	
Fees for cashier's checks and money transfers	\$ _____
Prepaid cards and phone cards	\$ _____
Bank or credit card fees	\$ _____
Other fees	\$ _____

Other	
School costs (like supplies, tuition, student loans)	\$ _____
Other payments (like credit cards and savings)	\$ _____
Other expenses this month	\$ _____

Total monthly expenses \$ 0.00 Expenses

\$ 0.00 - \$ 0.00 = \$ 0.00

Maybe your income is more than your expenses. You have money left to save or spend.

Maybe your expenses are more than your income. Look at your budget to find expenses to cut.

[Print Form](#)

September 2012 | Federal Trade Commission | consumer.gov

Image source: Federal Trade Commission (FTC), <https://www.bulkorder.ftc.gov/system/files/publications/pdf-1020-make-budget-worksheet.pdf>, March 2023

Improve Your Credit Score

Buying a home depends on your ability to get a home loan. A higher credit score will increase your success in getting a mortgage and lower your interest rate. In this section, you will find ways to build your credit while pursuing homeownership.

Topics Included:

- o Credit Reports
- o Why Credit Scores Matter – Bankrate.com Article
- o Creating a SMART Credit Goal

Sources:

- Credit Handbook – Attorney General of Minnesota
- Bankrate.com
- MyBankTracker.com
- Wells, Libby. How your credit score affects your mortgage rate. August 6, 2020.
www.bankrate.com
- Jenny Sanford AFC® - Financial Empowerment Manager – Neighbors, Inc.

Every effort has been made to provide you with accurate and complete information. Resources provided include links to third-party content that consumers may find helpful. Neighbors does not control or guarantee the accuracy of any third-party information. By listing these links, Neighbors is not endorsing the views of any third-party resources. Regardless of the information and resources provided, consumers are entitled to choose whatever products, services or third-party resources that best meet their needs and this will not affect their access to Neighbors' services.

Credit Reports

Credit Handbook: How to get Credit. MN Attorney General. March 2022

Your credit report is a compilation of your credit history data gathered by credit reporting agencies about you. Credit reporting agencies sell this information to companies and organizations with a legitimate business need to know how you manage credit.

It's important to build a good credit history. How you handle credit today will affect your access to credit later. For example, if you have a major credit card and several store cards and you make payments on time and pay off your bills, your credit report will show that you have been responsible with credit. This will help you when you wish to get a new credit card, finance a car, or get a loan to buy a house. A negative credit rating can hurt your ability to get new credit. This is because most creditors rely on your credit history when deciding whether to grant you credit.

WHAT A CREDIT REPORT INCLUDES



Personal Information

Relevant personal information such as your full name, current address and employment history



Credit Accounts

A list of the consumer's credit card, real estate loan and installment loan accounts



Inquiries

Lists any hard and soft inquiries into the consumer's credit



Public Records

Information pertaining to legal matters like bankruptcies, tax liens and any monetary judgments against the consumer



Collection Items

A summary of delinquent accounts that were sent to a collection agency

Forbes ADVISOR

Image source: <https://www.forbes.com/advisor/credit-score/what-is-a-credit-report/>

Your credit report is based on information supplied over time by your creditors. Creditors use this information to determine whether you are likely to be a good credit risk.

Improve Your Credit Score

Look at Your Credit Report

It's a good idea to look at your own report at least once a year. This way you'll know what the creditors know about you. Even if you have not been denied credit, it's still good to find out what is in your credit file. It is especially good to look at your report if you've never reviewed it or if you are planning a major purchase in the near future. Checking out your credit report in advance could speed up the credit-granting process.

Every year consumers can get one free copy of their credit report from each of the credit reporting agencies—Equifax, Experian, and TransUnion. The credit reporting agencies have a centralized website, toll-free telephone number, and mailing address for Minnesota consumers to order their free credit report copies:

1. Log on to: www.AnnualCreditReport.com
2. Call: (877) 322-8228
3. Write to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA., 30348-5281

NEIGHBORS CAN HELP

Financial Empowerment counselors are able to assist you with running your credit reports and helping to understand what is included.

Be aware that some companies may try to charge you for your free annual credit report by adding on services that you might not need. You are not obligated to buy these services to obtain a copy of your credit report. Although consumers can only receive their credit reports for free once per year, consumers may still request additional reports for a fee. Consumers may contact the credit reporting agencies as follows:

Equifax

P.O. Box 749241
Atlanta, GA 30348
(800) 525-6285
www.equifax.com

Experian

P.O. Box 2002
Allen, TX 75013
(866) 200-6020
www.experian.com

TransUnion

P.O. Box 1000
Chester, PA 19022
(800) 888-4213
www.transunion.com

You Can Correct Errors in Your Report

Credit Handbook: How to get Credit. MN Attorney General. March 2022.

Experts estimate that one in five credit reports contain mistakes, ranging from misspelled names to accounts that the consumer did not open.

Consumers should dispute such errors *in writing* with the company and the credit reporting agencies. Under the Fair Credit Reporting Act, credit reporting agencies must investigate disputes, usually within 30 days, and must remove all inaccuracies. If you disagree with the results of the investigation, you may write a brief statement explaining your side of the story. At your request, your note will be included with future credit reports.

If negative information in your report is accurate, only time will erase it. Credit reporting agencies may report negative information for seven years and some bankruptcies for ten years.

NEIGHBORS CAN HELP

Financial Empowerment counselors can help identify errors. These can be corrected by reaching out to the Credit Bureaus directly.

How Can I Improve My Score?

Credit Handbook: How to get Credit. MN Attorney General. March 2022.

Your credit score is based on information pulled from credit reports and calculated by scoring companies. Scores can vary based on the algorithm used by different companies and can range from 300 – 850.



Image source: <https://www.mybanktracker.com/credit-cards/credit-score/what-is-good-credit-score-range-254241>, March 2023

Fair Isaac Corporation (FICO) provides scores that are widely recognized in the mortgage industry.

Scores are created by the following factors:



Image source: <https://www.myfico.com/credit-education/whats-in-your-credit-score>, March 2023

Below are some actions you can take to improve your credit score over time:

Check your Credit Report	Pay Bills on Time	Reduce Debt	New Credit	Time
Check yearly Update missing information Dispute inaccurate data with bureau and creditor	Make a plan to pay bills on time every month Payment history accounts for 35% of your credit score	Pay down outstanding balances Lenders want to see utilization below 35% of available credit Avoid new debt	A "Hard Inquiry" is created when your credit is pulled by a lender Too many hard inquiries will lower your score. Spread out rate shopping to improve your score	Building your credit takes time

How your credit score affects your mortgage rate

Wells, Libby. August 6, 2020.

<https://www.bankrate.com/mortgages/how-your-credit-score-affects-your-mortgage-rate/>

Your credit score is one of the most important factors lenders consider when you apply for a mortgage. Typically, the higher your score, the lower the interest rates you'll qualify for.

Before you look at houses, it's smart to check your credit score and pull your credit reports from the three major credit agencies. Addressing credit issues early on can help you raise your score before you apply for a mortgage.

What is a good credit score for buying a house?

Many lenders use the FICO model for credit scores, which grades consumers on a 300- to 850-point range, with a higher score indicating less risk to the lender.

- 800 or higher: Exceptional
- 740-799: Very good
- 670-739: Good
- 580-669: Fair
- 579 or lower: Poor

Although it's up to specific lenders to determine what score borrowers must have to be offered the lowest interest rates, sometimes even the difference of a few points on your credit score can affect your monthly payments substantially. For example, the difference between a 3.5 percent interest rate and a 4 percent rate on a \$200,000 mortgage is \$56 per month. That's a difference of \$20,427 over a 30-year mortgage term.

"A low credit score can make it less likely that you would qualify for the most affordable rates and could even lead to rejection of your mortgage application," says Bruce McClary, spokesman for the National Foundation for Credit Counseling. "It's still possible to be approved with a low credit score, but you may have to add a co-signer or reduce the overall amount you plan to borrow."

You can use Bankrate's loan comparison calculator to help you see how much a loan costs at varying interest rates.

In the below example from myFICO.com, borrowers with credit scores above 760 save as much as \$185 in monthly payments for a 30-year, \$200,000 mortgage compared with borrowers with scores ranging from 620 to 639. That adds up to \$66,754 more in interest payments over the life of the loan for borrowers in the lowest credit score range.

Using myFICO.com's loan savings calculator, here's how much you'd pay at the current rates for each credit score range. These examples are based on national averages for a 30-year fixed loan of \$200,000.

FICO SCORE	ANNUAL PERCENTAGE RATE (APR)	MONTHLY PAYMENT	TOTAL INTEREST PAID
760-850	2.727%	\$814	\$93,057
700-759	2.949%	\$838	\$101,578
680-699	3.126%	\$857	\$108,470
660-679	3.34%	\$880	\$116,916
640-659	3.77%	\$929	\$134,261
620-639	4.316%	\$992	\$156,984

Source: [myFICO.com](#), July 27, 2020

- If your score changes to 700-759, you could pay an extra \$8,521.
- If your score changes to 680-699, you could pay an extra \$15,412.
- If your score changes to 660-679, you could pay an extra \$23,859.
- If your score changes to 640-659, you could pay an extra \$41,204.
- If your score changes to 620-639, you could pay an extra \$63,927.

"I've talked to people who are very aware of their score but are hard-pressed to tell me what that means in terms of what they qualify for," says McClary.

Can I get a mortgage with a low credit score?

It is possible to get a mortgage with a low credit score, but you'll pay higher interest rates and higher monthly payments. Lenders may be more stringent about other aspects of your finances, such as how much debt you have, if your credit is tarnished.

Keep in mind that credit requirements vary from lender to lender. Do yourself a favor and shop around with multiple lenders to find one that will work with you.

Here's a quick rundown of typical minimum credit scores for different loan types:

- **Conventional loans:** Many lenders will accept a credit score as low as 620 for conventional loans, but they may have other requirements for those borrowers, such as higher income.
- **FHA loans:** The Federal Housing Administration guarantees loans for borrowers with tainted credit and low down payments. You can qualify for an FHA loan with a credit score of 500 to 579 with a 10 percent down payment. Borrowers with a score of 580 or higher can put down as little as 3.5 percent.
- **USDA loans:** The U.S. Department of Agriculture backs the USDA loan program for low- to moderate-income borrowers purchasing a home in a rural area. Borrowers generally need a minimum score of 640 to qualify for a USDA loan. In some cases, USDA lenders will consider a lower score with additional analysis of a borrower's credit.
- **VA loans:** Backed by the U.S. Department of Veterans Affairs, VA loans are offered to active and veteran military personnel and their families. The government doesn't

- have a minimum credit score requirement to qualify for VA loans, though many lenders require a minimum score of 620.
- **Jumbo loans:** These loans have loan amounts that exceed conforming loan limits — currently \$510,400 in most markets — and are the hardest to qualify for if you have bad credit. Many jumbo lenders require a credit score of 720 or higher to qualify because of the increased risk.

Bottom line

Improving your credit score doesn't happen overnight, but taking these steps will greatly raise your score over time so you can buy a house with the best mortgage rate.

How you pay your bills, the number of credit accounts you have and how you manage them affect your credit score. — and your credit score has a major impact on your mortgage rate and your monthly payment.



Image source: <https://exploreandmore.org/sanity-saver-s-m-a-r-t-goals/>, March 2023

Goals are part of every aspect of business/life and provide a sense of direction, motivation, a clear focus, and clarify importance. By setting goals, you are providing yourself with a target to aim for. A SMART goal is used to help guide goal setting. SMART is an acronym that stands for **S**pecific, **M**easurable, **A**chievable, **R**ealistic, and **T**imely. Therefore, a SMART goal incorporates all of these criteria to help focus your efforts and increase the chances of achieving your goal.

My Current Credit Score = _____

My Goal Credit Score= _____

Actions I will take to improve my score: _____

Date for Completion: _____

What my improved Credit Score will help me accomplish: _____

Make an Offer

You've found the home you want to move forward with. Now it's time to make an offer and schedule a home inspection.

Topics Include:

- **Make an Offer**
- **Homebuyer's Handbook**
- **Common Contingencies**

Sources:

- Homebuyer's Handbook – Attorney General of MN
- Porch.com
- Househunt.com
- Jenny Sanford AFC® - Financial Empowerment Manager – Neighbors, Inc.

Every effort has been made to provide you with accurate and complete information. Resources provided include links to third-party content that consumers may find helpful. Neighbors does not control or guarantee the accuracy of any third-party information. By listing these links, Neighbors is not endorsing the views of any third-party resources. Regardless of the information and resources provided, consumers are entitled to choose whatever products, services or third-party resources that best meet their needs and this will not affect their access to Neighbors' services.

Make an Offer

The Perfect Place: Homebuyer's Handbook – MN Attorney General. March 2022

How Much Should You Bid on a Home?

Money isn't the only consideration in home buying, though it usually appears near the top of the list! In making a bid, first prioritize your needs. Is it important for you to pay the lowest price possible? Or is the ability to move quickly your biggest concern? Your real estate agent can tell you what the typical neighborhood difference is between asking prices and bidding prices. This will help you know what to expect.

Your bid must be in writing and include:

- The price you offer to pay and how you plan to finance the purchase.
- The time period you'll give the seller to accept or reject the bid.
- The date you want the seller to be obligated to close give you possession.

Bid High or Low?

You don't need to offer to pay what a seller is asking for a home. Home buying is a game of negotiations. When sellers first put their homes on the market, they may ask for more than they are willing to take. Later, if the home hasn't sold, the seller may be desperate to sell and could price the home below market value. The amount you offer depends on whether you think the asking price is high, low, or in line with market values in the neighborhood. Don't worry about insulting the seller by bidding lower than the asking price. On the other hand, you may decide to bid higher if the home buying market is hot and homes are selling quickly, or if you really want to buy a certain home.

Understanding the Purchase Agreement

The purchase agreement is the major contract in home buying. It's what you submit when you bid on a home and it becomes a binding legal contract if your offer is accepted.

Read the purchase agreement thoroughly. If you don't understand all of the provisions, you may wish to have an attorney with real estate experience review the purchase agreement with you before you sign it. A real estate agent may want to hurry you into signing it if another buyer is considering making an offer on the house you want to buy. Don't be pressured. Understand the purchase agreement before you sign it!

There are two purchase agreement forms predominantly used in Minnesota residential transactions:

1. Minnesota State Bar Association form approved by The Real Property Section; or
2. The form approved by the Minnesota Association of REALTORS®.

Home Inspection

The Perfect Place: Homebuyer's Handbook – MN Attorney General. March 2022

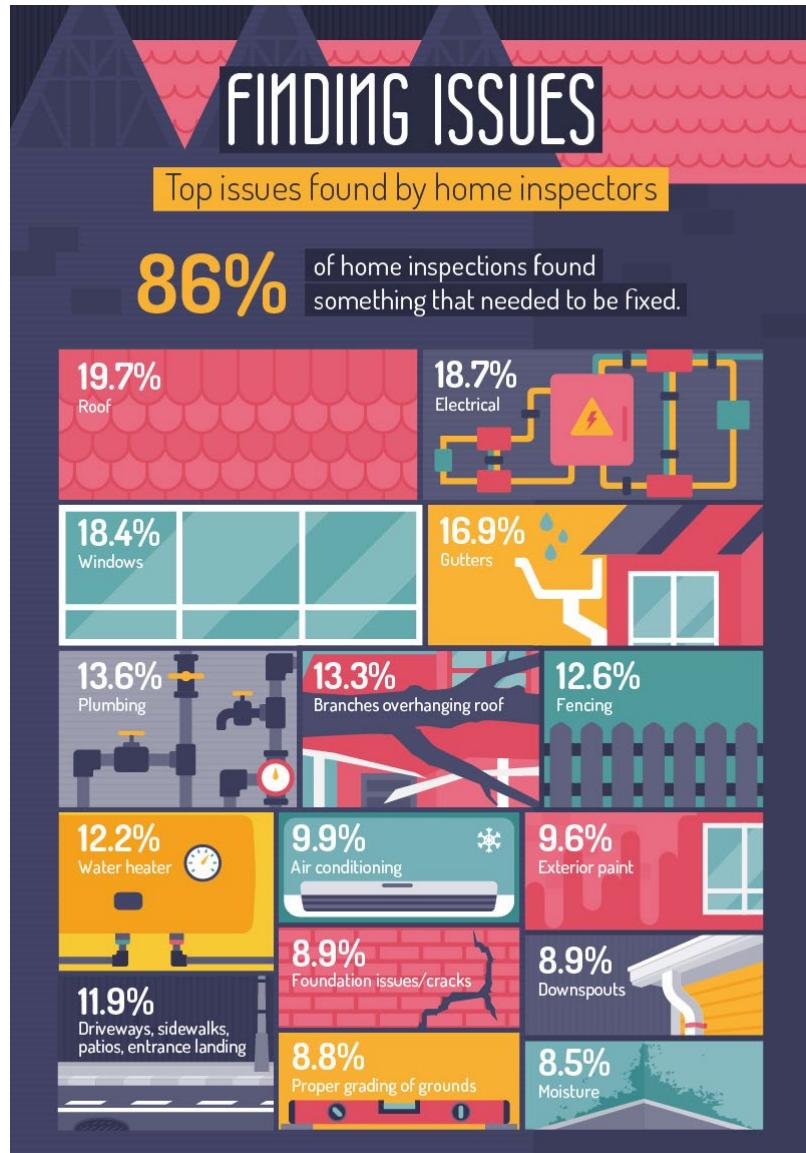
Image source: <https://cdn.porch.com/bootstrap/0web/infographics/home-inspection-leverage/Home-Inspection-Leverage-3.jpg>, March 2023

The Home Inspection

Once you buy a home, repairs can eat into your pocketbook, making the home of your dreams a “money pit.” Homes can have wet basements, shaky foundations, rotting roofs, and a multitude of other problems—even if they’re relatively new. But a thorough home inspection before you buy can keep you from getting stuck with the bill. *A buyer should insist upon hiring an inspector whose loyalty is to the buyer.* This inspection is different than an appraisal.

Invisible Enemies

Unlike watermarks, some defects can be difficult to see. For example, radon (a gas emitted from the ground) has been discovered in dangerous levels in many Minnesota homes. A high level of radon may cause cancer. Not only is radon impossible to find without special detectors, it may be expensive to get rid of. Other potentially harmful “invisible enemies” include lead paint and asbestos, well and septic issues or sewer lines.



Source: Survey of 998 Homebuyers

Porch

Make an Offer

Isn't the Seller Required to Tell You About Problems?

Pursuant to some purchase agreements, the seller is required to note certain problems and environmental hazards, and state that certain mechanical systems are in working order. Sellers are also required by Minnesota law to make certain disclosures about wells and sewage treatment systems on the property.

In addition, the seller must disclose any information he or she has about the property that could significantly affect the buyer's use of the property, unless the buyer waives this disclosure. A buyer can file a lawsuit against the seller for damages caused by violation of this law within two years of the closing date. Additionally, the seller and its agents have statutory, contractual, and tort duties which may provide a longer period of time to bring a claim.

However, a seller may not disclose everything and does not always know a problem exists. If you would like more information on selling a home, including more information on the seller's disclosure requirements, the Minnesota Attorney General's Office offers a free publication entitled [The Home Seller's Handbook](#).

What is a Truth-in-Housing Report?

Some Minnesota cities require a Truth-in-Housing Report that tells you the condition of the home based on the city's housing code standards. The report is completed by a licensed evaluator. Some cities have limited requirements to meet, so don't rely on this report alone.

Most communities that have this ordinance do not require the seller to make repairs. The intent of the report is to provide prospective home buyers with thorough, accurate information to assist them in making a good decision about buying a home. When a Truth-in-Housing Report is required, the seller must provide the report to all prospective buyers at the time of the showing.

Should You Pay for a Home Inspection?

Hiring a qualified inspector will protect you and help you feel confident about the condition of the home you're buying. The home inspector you hire should identify any major plumbing, heating, electrical, structural, safety, and environmental problems. If a home inspector identifies numerous minor or major maintenance items, you may be able to negotiate the final sales price of the home with the existing owner.

Your home inspector may also suggest having someone one that specializes in a specific field look at issues such as plumbing, electrical and structural issues.

Where Do You Find a Good Inspector?

If you plan to hire a professional inspector, keep in mind they are not regulated by the state. Talk with friends and family about inspectors they've used.

However you find your inspector, make sure you ask for references. Here are some other things to discuss with prospective inspectors:

- How many inspections have you completed?
- Do you belong to a nationally recognized group?
- Do you carry Errors and Omissions Insurance (E & O)?
- How long does an inspection take?
- How do you define major problems? Any repair over \$500, \$1,000 or \$2,000?
- Do you stand behind the report, or is there a clause limiting your liability to the amount of the inspection fee?
- Have you ever written a report that caused a buyer to walk away from a sale?

The price of home inspections varies considerably, so shop around. Be sure to ask the companies to list what they inspect. A word of caution about referrals from real estate agents—make sure the inspector is concerned about doing the job properly, not about getting more business. Some inspectors may be afraid to tell the truth for fear they will “blow the sale” and not receive referrals from the agent again.

A home inspection only takes a few hours, but is one of the best ways for you to learn about your new home. Tag along with the inspector and don't hesitate to ask questions.

What if You Can't Find a Professional Inspector?

If you live in a rural area, it may be difficult to find a professional inspector. A local building contractor may be able to inspect your home and may charge less than an inspector. Before you jump the gun and hire someone, ask a contractor the same questions that you would ask a professional building inspector. Be very clear that you are looking for someone to identify potential problems, not offering them a future contract to fix the problems. While you probably won't get a written report and the work won't be covered by insurance, you may save yourself money and trouble if a major problem is found.

What if the Property Doesn't Pass Inspection?

The FHA and VA require their own appraisal and may ask a home seller to make repairs before the sale. But if a house does not pass a buyer's independent inspection, and if the buyer has put an inspection contingency in the agreement, the buyer may cancel the purchase agreement. Otherwise, the seller and the buyer might have to negotiate who pays for repairs. (We'll discuss more about contingencies later in this section.)

Common Contingencies

Contingencies are your safety net. Contingencies are conditions, or “what if...?” provisions, that you add to your purchase agreement. Carefully consider under what conditions you will and won’t buy the house by attaching contingencies that can make the agreement null and void. A real estate agent or an attorney can help you write your contingencies. Make sure it reflects your understanding of the conditions under which you’re willing to make the offer. You might want to use contingencies to allow you to cancel the purchase if:

- You aren’t accepted for a home loan.
 - The house has structural, mechanical, or environmental defects that are discovered through your inspection.
 - There are liens or other charges or claims on the property.
 - The house appraisal comes in lower than the price you offered to pay.
- You can’t sell your current house.

Contingency Concern

It is important to note that some purchase agreement state that a seller is free to accept another offer while you’re waiting for your contingency(s) to be met. If another offer comes in, the seller can ask you to lift your contingency(s). If you are unable to lift the contingency(s), the seller can accept the other offer.



Most Common Home Contingencies Infographic. Househunt.com March 2022.

Make an Offer

Mortgage Pre-Approval Process

Start shopping for a mortgage that is right for you!

Topics Include:

- **Where do you find a lender?**
- **Comparing Mortgages Worksheet**
- **Preapproval from a Lender**

Sources:

- Homebuyer's Handbook – Attorney General of MN
- Federal Trade Commission
- Consumer Financial Protection Bureau
- Jenny Sanford AFC® - Financial Empowerment Manager – Neighbors, Inc.

Every effort has been made to provide you with accurate and complete information. Resources provided include links to third-party content that consumers may find helpful. Neighbors does not control or guarantee the accuracy of any third-party information. By listing these links, Neighbors is not endorsing the views of any third-party resources. Regardless of the information and resources provided, consumers are entitled to choose whatever products, services or third-party resources that best meet their needs and this will not affect their access to Neighbors' services.

Where Do You Find a Lender?

Homebuyer's Guide: Financing Your Home. MN Attorney General. March 2022.

How do you find the best lender for you? First get to know the basic types. All lenders originate loans and others service them, too. If you're not sure what they do, simply ask them. Lenders include: banks, savings & loans, credit unions, mortgage companies, and public agencies (including cities).

There is no “ideal” loan for everyone. Perhaps that's why there are so many options. Much depends on your financial history, your situation today, and your future. If you have a solid credit history, a good, steady income, and the prospect for reliable income in the future, you should have no trouble qualifying for a loan.

The amount of the loan will depend on the size of your down payment and your income minus fixed expenses. Some types of loans include: a conventional loan, a Federal Housing Administration (FHA) loan, or a Veterans Administration (VA) loan. Any of these loans can be either a fixed rate loan or an adjustable rate mortgage (ARM) loan and can range in time from 10 to 30 years.

If you don't have a large nest egg for a down payment, or you haven't always paid your bills on time, don't panic. ***Talk to several lenders about your financial situation.***

There are some options for people who have so-so credit records.

Types of Mortgages

Type of Loan	Description	Pros	Cons
Fixed Rate Mortgage	Unchanging interest rate over the life of the loan	<ul style="list-style-type: none"> Payment for interest rate and principal does not change over the life of the loan. A low rate at closing will lock in a low rate for the life of the loan. 	<ul style="list-style-type: none"> A high interest rate at the start of the loan will not change unless the loan is refinanced.
Adjustable Rate Mortgage (ARM)	Interest rate goes up and down according to the index	<ul style="list-style-type: none"> ARM's have starting rates lower than fixed rate mortgages 	<ul style="list-style-type: none"> Your payment will change based on the ARM's interest rate ARM's are not convertible without refinancing
Federal Housing Administration (FHA) Loans	US Department of Housing and Urban Development guarantees loans for low to moderate income buyers.	<ul style="list-style-type: none"> Down payment as low as 3.5% FHA ARMs only move 1 to 2 percentage points per year May qualify even if you carry substantial long-term debt 	<ul style="list-style-type: none"> Pay a special fee (MIP) to receive your loan consisting of upfront and annual fee.
Veterans Administration (VA) Loans	Loans available to those who are or have served in the military	<ul style="list-style-type: none"> No down payment required 	<ul style="list-style-type: none"> Only one VA loan at a time Pay a funding fee similar to mortgage insurance
Assumable Mortgage	The buyer can take over the seller's loan and make the payments negotiated by seller years ago	<ul style="list-style-type: none"> Might not have to go through qualification process Low closing costs 	<ul style="list-style-type: none"> Might have higher interest rates than what is currently available

Resources for Low-Income Buyers

Homebuyer's Guide: Financing Your Home. MN Attorney General. March 2022.

Many financial institutions offer mortgage programs especially for people with low incomes.

Unfortunately, studies show that traditional lending practices have sometimes resulted in unfair treatment of low-income borrowers. For example, they may be turned down for loans because credit scrutiny is stricter for them than for middle- or high-income borrowers. Sometimes the scrutiny has less to do with any real credit problems than with where people shop. Businesses catering to low-income individuals typically report customers' late payments to credit bureaus more quickly and regularly than stores that cater to middle- and high-income individuals.

The good news is that help for low-income home buyers is on the upswing. The following resources are now available:

- **Minnesota Housing Finance Agency (MHFA):**
Offers below-market loans for buyers with low or moderate incomes and for first-time buyers. MHFA has statewide reach. Call 651-296-7608 or 800-657-3769 or go online: mnhousing.gov.
- **Home Ownership Center:**
Refers low-income residents to trained home ownership counselors in nonprofit agencies in Minneapolis and St. Paul. Call 651-659-9336 / 866-462-6466 or go online: hocmn.org.
- **Minneapolis Public Housing Authority:**
Provides information, referrals, and assistance to people seeking low-income and Section 8 housing. Go online: mphaonline.org.

Be sure to discuss *First Time Homebuyer Programs* with your lender. It is also a good time to see if you qualify for any open programs.

MN Housing Mortgage Programs

The Start Up program is for first-time homebuyers, defined as those who "have not had an ownership interest in a principal residence in the last three years."

MN Housing

[https://mnhousing.gov](http://mnhousing.gov)

400 Wabasha Street North
Suite 400
Saint Paul, MN 55102
651-296-7608
mn.housing@state.mn.us

Dakota County Community Development Association - (CDA)

Offers an array of housing resources to “improve the lives of Dakota County residents and enhance the economic vitality of communities through housing and community development.”

These services include:

- First time Home Buyer Program (Suspended as of 8/20/21)
- Pre-Purchase Advising
- Home Stretch Homebuyer Education (\$20)
- Framework Online Homebuyer Education (\$75)

Contact Information

Dakota County Community Development Association

<https://dakotacda.org>

1228 Town Center Drive, Eagan MN 55123

651-675-4400

info@dakotacda.org

Comparing Mortgages

Reach out to a few lenders to begin gathering data specific to your situation. Some lenders will encourage you to fill out an online form, others will be able to talk through your situation over the phone. Each time you speak with a lender, take notes so that you are able to compare what the offers are and determine which lender works best.

Many of the terms on the Mortgage Comparison Worksheet should look familiar. Below is a glossary of terms that might be new to you:

Adjustable-rate loans, also known as variable-rate loans, usually offer a lower initial interest rate than fixed-rate loans. The interest rate fluctuates over the life of the loan based on market conditions, but the loan agreement generally sets maximum and minimum rates. When interest rates rise, generally so do your loan payments; and when interest rates fall, your monthly payments may be lowered.

Annual percentage rate (APR) is the cost of credit expressed as a yearly rate. The APR includes the interest rate, points, broker fees, and certain other credit charges that the borrower is required to pay.

Conventional loans are mortgage loans other than those insured or guaranteed by a government agency such as the FHA (Federal Housing Administration), the VA (Veterans Administration), or the Rural Development Services (formerly known as Farmers Home Administration, or FmHA).

Escrow is the holding of money or documents by a neutral third party prior to closing. It can also be an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance.

Fixed-rate loans generally have repayment terms of 15, 20, or 30

years. Both the interest rate and the monthly payments (for principal and interest) stay the same during the life of the loan.

The **Interest rate** is the cost of borrowing money expressed as a percentage rate. Interest rates can change because of market conditions.

Loan origination fees are fees charged by the lender for processing the loan and are often expressed as a percentage of the loan amount.

Lock-in refers to a written agreement guaranteeing a home buyer a specific interest rate on a home loan provided that the loan is closed within a certain period of time, such as 60 or 90 days. Often the agreement also specifies the number of points to be paid at closing.

A **mortgage** is a document signed by a borrower when a home loan is made that gives the lender a right to take possession of the property if the borrower fails to pay off on the loan.

Oversages are the difference between the lowest available price and any higher price that the home buyer agrees to pay for the loan. Loan officers and brokers are often allowed to keep some or all of this difference as extra compensation.

Points are fees paid to the lender for the loan. One point equals 1 percent of the loan amount. Points are usually paid in cash at closing. In some cases, the money needed to pay points can be borrowed, but doing so will increase the loan amount and the total costs.

Private mortgage insurance (PMI) protects the lender against a loss if a borrower defaults on the loan. It is usually required for loans in which the down payment is less than 20 percent of the sales price or, in a refinancing, when the amount financed is greater than 80 percent of the appraised value.

Thrift institution is a general term for savings banks and savings and loan associations.

Transaction, settlement, or closing costs may include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good faith estimate of closing costs at the time of application or within three days of application. The good faith estimate lists each expected cost either as an amount or a range.

Preapproval Qualification vs. Pre Approval Letter

When you have decided on a lender that you would like to use, get a prequalification letter. This is a document from the lender stating that they are tentatively willing to lend to you, up to a certain amount and has been reviewed by the loan officer. This document is based on certain assumptions and it is not a guaranteed loan offer. But, it lets the seller know that you are likely to be able to get financing. Sellers often require a prequalification or preapproval letter before accepting your offer on a house.

In a sellers market, take the extra time to get a preapproval letter. This document has actually been reviewed by an underwriter and carries more weight than a prequalification letter. For these reasons, many people wait to get a preapproval letter until they are ready to begin shopping seriously for a home because it typically has an expiration date. However, getting preapproved early in the process can be a good way to spot possible issues in time to correct them.

Every lender is different. Find out what you need to do and what documentation is requested.

Preapproval Letter Source: <https://www.consumerfinance.gov/owning-a-home/process/explore/get-prequalification-or-preapproval-letter/>

Realtors & Home Tours

You have done a lot of work to prepare financially for your next home. Now it is time to select a realtor and begin looking at houses.

Topics Include:

- **Finding a Real Estate Agent / Realtor**
- **Touring Homes**
- **Home Comparison Tool**

Sources:

- Homebuyer's Handbook – MN Attorney General
- FIRST-TIME HOME BUYERS' GUIDE: SELECTING A REAL ESTATE AGENT
- Auction.com // April 30, 2021 *By Joel Cone*,
- Investopedia.com
- Jenny Sanford AFC® - Financial Empowerment Manager – Neighbors, Inc.

Every effort has been made to provide you with accurate and complete information. Resources provided include links to third-party content that consumers may find helpful. Neighbors does not control or guarantee the accuracy of any third-party information. By listing these links, Neighbors is not endorsing the views of any third-party resources. Regardless of the information and resources provided, consumers are entitled to choose whatever products, services or third-party resources that best meet their needs and this will not affect their access to Neighbors' services.

Financial Empowerment Program at Neighbors, Inc.
222 Grand Avenue West • South St. Paul, MN 55075 • (651) 455-5000 • neighborsmn.org

Selecting a Realtor

Image Source: Cast of Characters: Homebuyer's Handbook. MN Attorney General March, 2022.

Real estate agents (realtors) are professionals. Their job is to help you buy or sell a home. Be forewarned! Different types of agents have different obligations and interests. You might think that an agent who brings a potential home buyer to a property would be considered a buyer's agent. Actually the agent may be considered a subagent of the seller's agent. That means the agent doesn't owe his or her loyalty to the buyer. In fact, the loyalty of this subagent is to the seller! If you want an agent to act exclusively on your behalf as a buyer, find a buyer's broker. A buyer's broker is bound to keep confidences and negotiate the price for you, and can put the terms of your relationship in writing.

Before entering into any agreements, you may wish to consult with an attorney to explore all potential options.

The fees you pay to your real estate agent are often included in the purchase price of the home. An agent who lists a home for sale usually shares the agreed upon commission with the agent who brings in a buyer for the house. The commissions are usually a percentage of the sale price of the home. Because these commission amounts depend on the final price, this means that real estate agents have a financial incentive to sell you a higher-priced home.

How Do I Find an Agent?

F-TIME HOME BUYERS' GUIDE: SELECTING A REAL ESTATE AGENT Auction.com // April 30, 2021 By Joel Cone.

You can look for a home without an agent, but if you are planning to work with one, ask friends, relatives, or co-workers for recommendations.

10 THINGS REAL ESTATE AGENTS DO FOR BUYERS

Your agent has a lengthy list of things that they do from the start of a real estate transaction to closing of escrow. Here are just a handful of things that your buyer real estate agent will do for you.

-
- 1 HELP YOU GET A MORTGAGE**
Your agent will assist you in finding the right lender to work with and will counsel you on working effectively with them.
 - 2 NARROW DOWN YOUR SEARCH ON THE RIGHT LOCATION AND PROPERTIES**
Your real estate agent will work with the needs and wants you've listed and will focus on properties that meet your criteria, including your price range.
 - 3 DRAFT UP A SOLID OFFER**
Your agent will ensure that your offer is a sound one that protects you and impresses the seller.
 - 4 NEGOTIATE A GOOD PRICE**
Experienced realtors know the value of what they are helping their clients buy. As such, they'll negotiate on your behalf to make sure you never pay more than you have to.
 - 5 ATTEND THE INSPECTION**
Every buyer agent should be present at the home inspection and ask the right questions about the condition of the home.
 - 6 NEGOTIATE HOME INSPECTION REPAIR REQUESTS**
The negotiations don't stop at the initial offer. If there are any issues discovered during the home inspection, your agent will help you negotiate with the seller to either get them to make the repairs or cover their cost.
 - 7 RECOMMEND PROFESSIONALS**
Home inspectors, contractors, lenders, and other professionals are often part of the real estate equation, and your agent will be able to recommend those that are highly reputable.
 - 8 COMMUNICATE WITH SELLER'S AGENT**
You and the seller will remain on the same page throughout the entire closing process thanks to your agent's role in communicating all pertinent information between each party.
 - 9 MONITOR YOUR MORTGAGE COMMITMENT**
Your agent should keep tabs on the status of your mortgage and guide you about what to do - and not do - before your home loan has been finalized.
 - 10 HELP YOU NAVIGATE THE ESCROW AND CLOSING PROCESS**
There's a lot that happens during escrow before a deal closes, and your agent will help you through this process in a streamlined manner.

Don't be afraid to ask your source detailed questions about their reference, including:

- How did you like their agent?
 - What did you like the most and least about him or her?
 - How long have they been in the business?
 - Was the agent good at staying in touch via phone, text or email?
 - Did the purchase or sale process go smoothly?
 - How did they handle any bumps in the road?
 - Did the agent refer them to a source for obtaining financing?
-

Interview several agents until you find one you feel comfortable working with.

Here are some things to ask prospective agents:

- How long have you been in the real estate business? What training and designations do you have?
- Can I have a list of references?
- How many homes have you listed or sold in the past year?
- How well do you know the area(s) that I am interested in looking at?
- What fees do I pay for your service? (Many agents will give you the impression that their commission is not negotiable. However, by law, their fees are always negotiable.)
- How many transactions a year do you average?
- Do you specialize in working with buyers?
- What markets do you focus on?
- What's the median price in the markets I want to search?

Realtors may ask you to sign either an exclusive representation agreement or a nonexclusive representation agreement. An exclusive agreement locks you into using one agent from the time of the agreement. Signing a nonexclusive agreement will allow you to work with more than one agent. Keep in mind, however, that an agent with an exclusive agreement may be inspired to work harder for you. If you choose an exclusive agreement, negotiate the length of the agreement so you aren't locked into the agreement for an unreasonable amount of time—typically no shorter than 60 days and no longer than six months.

For Sale by Owner (FSBO) is a term that refers to a method of listing a property for sale. When a house has an FSBO listing, it means the owner is selling the property without the help of a listing agent or broker. One reason sellers choose this option is to avoid paying the real estate agent a commission on the sale. In a FSBO transaction, the seller assumes all of the responsibilities and risks of completing the sale.

Touring Homes

Looking at Homes: Homebuyer's Handbook. MN Attorney General March, 2022.

Prepare for selecting an agent by getting to know where you'd like to live. Finding the perfect home isn't easy but here are some of the best ways to get started:

Ways to view Properties	Advantages	Disadvantages
Open Houses	<ul style="list-style-type: none">• No appointments required	<ul style="list-style-type: none">• Few homes are sold through open houses• Some open houses are for agents to find new clients• Commission disputes can arise if you hire an agent after sign in at an open house
Multiple Listing Service (MLS)	<ul style="list-style-type: none">• Consumer may have access to MLS for a fee or unlimited access if working with an agent• Updated constantly• Tour the whole house without actually visiting	<ul style="list-style-type: none">• Possibility of information overload
For Sale by Owner (FSBO)	<ul style="list-style-type: none">• Homes sold by owners without using an agent might be cheaper	<ul style="list-style-type: none">• Can be more difficult to locate• Drive around communities you are interested in living to find FSBOs• Working through an offer and purchase without an agent might be more challenging

Home Comparison Tool

As you are touring homes, you may find it helpful to use a side-by-side comparison tool to keep track of notes about each particular home. Please find an example of a home comparison tool on the next page.

HOME COMPARISON CHART



Neighbors, Inc. Financial Empowerment Program

	HOME 1	HOME 2	HOME 3
ADDRESS			
ASKING PRICE			
SQUARE FOOTAGE			
# OF BEDROOMS			
# OF BATHROOMS			
GARAGE			
PROXIMITY TO WORK/ BUS/SCHOOL			
FORMAL LIVING SPACE			
FIXTURES			
KITCHEN			
CARPET/FLOORING			
CLOSET SPACE			
ACCESSIBILITY			
AGING IN PLACE FEATURES			
LANDSCAPING / YARD			
SOMETHING MEMORABLE			
DOES IT FEEL LIKE HOME?			

**Speak with a Financial Counselor at
Neighbors today to make your dream
of home ownership a reality.
Call us at: 651-455-5000**



Neighbors, Inc.
222 Grand Avenue West
South St. Paul, MN 55075
neighborsmn.org

Preparing to Move In

Congratulations! You have done all of the work to get ready for purchasing your home. Now it's time to pack up your belongings, close on the home and move in.

Topics Include:

- **Closing Information & Checklist**
- **Homeowner's Insurance**

Sources:

- Home Buyer's Handbook Attorney General of MN
- www.hirshfieldhomes.com
- Investopedia.com
- Jenny Sanford AFC® - Financial Empowerment Manager – Neighbors, Inc.

Every effort has been made to provide you with accurate and complete information. Resources provided include links to third-party content that consumers may find helpful. Neighbors does not control or guarantee the accuracy of any third-party information. By listing these links, Neighbors is not endorsing the views of any third-party resources. Regardless of the information and resources provided, consumers are entitled to choose whatever products, services or third-party resources that best meet their needs and this will not affect their access to Neighbors' services.

Closing on Your Home

Closing on Your Home: Homebuyer's Handbook – MN Attorney General. March 2022

Your home closing is the term used to describe the meeting where you will sign all of the paperwork to officially purchase your home. There is a lot to get done before you close. The property title has to be examined. Your contingencies must be met. And, most importantly, your loan must be approved. This section is a quick guide to closing that will help you every step of the way.

How to Avoid the Closing Blues

Minnesotans are especially likely to panic about closings because most of our homes close during the last week of the month. That's because buyers want to avoid paying interest on a monthly loan payment. If they closed at the beginning or middle of the month they'd owe at least part of the interest for the month. Underwriters, appraisers, and title companies are frantically trying to meet a zillion (that's a slight exaggeration) deadlines at once. So give them time. Set your closing date at least six weeks from the date you and your seller sign the purchase agreement. Much of the closing process is out of your hands. You have to wait to see if your loan is approved, if the appraisal is high enough and if the home passes inspection.

Mortgage Underwriting

All loans undergo some form of underwriting. In many cases, underwriting is automated and involves appraising an applicant's credit history, financial records, and the value of any collateral offered, along with other factors that depend on the size and purpose of the loan. The appraisal process can take a few minutes to a few weeks, depending on whether the appraisal requires a human being to be involved.

The most common type of loan underwriting that involves a human underwriter is for mortgages. This is also the type of loan underwriting that most people encounter. The underwriter assesses income, liabilities (debt), savings, credit history, credit score, and more depending on an individual's financial circumstances. Mortgage underwriting typically has a "turn time" of a week or less. Most lenders will require an appraisal.

What to Do While You Wait

Here are a few things you can do to help ensure that the closing will go smoothly.

1. Keep in contact with your lender to see if the lender needs any more information. If you are approved for a loan you'll either get a commitment letter or a phone call from your lender explaining the terms of the loan.
2. Schedule a closing agent (or closer). The real estate agent or lender may suggest a closer. You are free to choose your own, however. (Some closings have both a seller's and a buyer's closing agent.)
3. Get a copy of the Closing Disclosure from the Consumer Financial Protection Bureau. Ask your closer for a copy. You have the right to see these forms before the closing. These forms contain a list of all your closing costs. Compare it to the Loan Estimate of closing costs your loan officer gave you when you applied for the loan.

Which Costs May Vary from the Good Faith Estimate or Loan Estimate?

Your closing costs should not vary much from the estimate. Question any that do. You may not have to pay the difference. But understand that some minor differences will appear. That's because certain fees are based on the amount of the loan and the value of the property you end up with. They can only be nailed down when your loan is approved. These include:

- Title insurance premiums
- Loan origination fee
- Homeowner's insurance premiums
- Mortgage insurance premiums
- Property taxes
- Mortgage registration tax

Federal law states that, upon request, you must be able to see the closing documents before your closing is scheduled, but closing companies frequently may not provide them to you in advance unless you ask.

Homesteading

Homesteading your property results in a reduction in the amount of value that is subject to tax. In other words, Homestead Taxes are lower than Non-Homestead Taxes. Generally, if you are a Minnesota resident, own the home, and occupy the home as your primary residence, then you are eligible to homestead the property. The amount of the tax exclusion depends on the assessed value of the home. You should check with your agent or the closer to verify the process of homesteading in the county in which the home is located.

Homesteaded
Homes are primary
residences occupied
and eligible for lower
taxes

Insurance

The Perfect Place: Homebuyer's Handbook – MN Attorney General. March 2022

What Insurance Do You Need to Buy?

Once your loan is approved, a lender will require you to buy insurance to protect the investment—your home. **You'll have to purchase a homeowner's insurance policy to protect your investment in the house, its contents, and unattached buildings such as a garage or shed.** You'll also want to protect yourself in case of liability. Policies vary, so check restrictions and exclusions carefully to make sure you are fully covered. Ask for replacement coverage, so you will receive the actual cost to replace items rather than the cost you paid for them five or ten years ago. A basic homeowner's policy includes:

Liability Insurance	Property Protection	Living Expense Coverage	Mortgage Insurance	Title Insurance
Someone injured on your property	Your personal belongings. High value items should be protected by additional rider policy.	Cover living expenses if home is damaged by lightning or fire and needs to be repaired	Required by lenders if equity in home is less than 20%	Protection in case title on property isn't clear

How Much Does Insurance Cost?

Check with several insurance agents about premiums. **Premiums** are based on the property value and the contents of the property, type of construction, location, and even how close the nearest fire hydrant is. Homeowner's insurance usually can be paid monthly, quarterly, or yearly. You'll pay more, however, if you don't pay one lump sum up front.

How Can You Avoid Overpaying for Insurance?

Shop around and compare insurance costs. The same policies can vary widely in price from company to company.

After you compare different companies' prices, keep these hints in mind:

- Don't take out a policy with a deductible under \$500. Low deductibles raise your rates.
- Don't buy earthquake insurance or other coverage unless you need it.
- Subtract the value of the land from the value of the home and buy property insurance just for the value of the home itself. A lender requires you to carry insurance on your home but not your land. After all, the house could burn down, but the land will survive.

What is Escrow?

Your lender may require you to escrow monthly payments for homeowner's insurance, mortgage insurance, and property taxes.

That means the cost of these items will be rolled into your monthly payments. The lender will hold these sums in a separate escrow account and will pay the insurance premiums and taxes out of the escrow account as they become due. You may not have the option of paying these items separately yourself. But check with your lender to determine if you can or can't. Sometimes you even have to pay a fee to your lender for not escrowing!

A lender may ask you to keep up to an extra two months' worth of payments in your escrow account at all times for future payments, if your mortgage contract allows this. Some mortgage contracts don't, only allowing the lender to keep enough money in the escrow account to pay the insurance and taxes when due. Federal law limits the amount of any escrow "cushion" allowed by the mortgage contract to no more than two months' worth of escrow bills.

State law gives homeowners the right to stop putting money in escrow after their conventional loan is seven years old or older. Your lender must notify you about this right.

Closing Checklist

Are you ready to close on your home? Bring your calculator to the closing and make sure there are no mathematical errors. **Use this checklist to make sure you have all your “docs” in a row.**

- Purchase agreement signed and accepted by seller.
- All contingencies met.
- Mortgage loan approved.
- Home appraisal completed.
- Title search done.

What Should You Bring to the Closing?

- Your homeowner's insurance binder and a receipt showing this has been paid.
- A photo ID.
- Your addresses for the last 10 years.
- A cashier's check for any amount owed.

What Will You Sign?

- A promissory note that states you'll make monthly mortgage payments on a loan amount at a certain interest rate for a specified time period.
- The mortgage that says the bank can take the property if you do not make payments as agreed.
- And so many other papers it will make your head swim!

What Will You Pay?

You will need a cashier's check to pay:

- The balance of your down payment. (Subtract the earnest money you paid in "good faith" when you made your offer on the home.)
- Unpaid closing costs. While you will have paid for an appraisal and credit report before closing, other fees will be due on the date you close. Refer to your HUD-1 Settlement Statement/Closing Disclosure to see what you still owe.
- Escrow funds.

What Does the Seller Give You?

- A signed deed transferring ownership to you.
- Bill of sale for personal property, if applicable.
- Other documents specified by your purchase agreement.
- Keys, garage door opener, etc.

Hiring a Mover

Hiring a Mover. MN Attorney General. March, 2022.

The Attorney General's Office urges consumers to take precautions before hiring a mover. Moving can be a stressful event, and some companies and individuals take advantage of consumers by not obtaining insurance, misrepresenting rates and quotes, or failing to cover broken or damaged goods.

In addition:

- **Compile an inventory of all items shipped and their condition.** Check items as they arrive at your new destination to determine if they are broken. Write "subject to further inspection for concealed loss or damage" on the moving contract to allow for damage you may discover as you unpack.
- **Pack and move rare, fragile, or sentimental items yourself.** This way, you avoid the headache or heartbreak of possible breakage of precious items.
- **File a written claim with the mover immediately if any loss or damage occurs.** Keep a copy of your claim.

"Do-it-Yourself" Moving

Some consumers may choose to rent a truck and move their property on their own. Consumers renting a moving truck should consider the following tips:

12 TIPS FOR HIRING A MOVING COMPANY

1 COMPARE COMPANIES ONLINE



2 GET A MINIMUM OF 3 IN-HOME ESTIMATES



3 USE THE 10-15% ESTIMATE RULE



4 CHECK THE HOURLY RATES



5 BEWARE OF THE FLAT-RATE CATCH



6 CHECK THEM OUT IN PERSON FIRST



7 CHOOSE LABORERS OVER SUB-CONTRACTORS



8 NEVER GIVE A DEPOSIT

9 SEE AN INSURANCE CERTIFICATE



10 CALL TO CONFIRM

11 ASK AROUND FOR REFERRALS



12 HAVE A CONVERSATION ABOUT INSURANCE

www.hirschfeldhomes.com

Image source: <https://www.hirschfeldhomes.com/choosing-the-right-moving-company/12-tips-for-hiring-a-moving-company/>, March 2023

Confirm Your Reservation

Most rental truck companies provide customers with a confirmation number after the customer has reserved a vehicle for a given day. Consumers should confirm the exact time they are scheduled to use the truck, and get this information, along with their confirmation number, in writing if possible. Consumers should write down the names of the employees that they speak with to protect themselves in case problems arise with the reservation.

Understand the Terms of Your Agreement

Since some rental truck companies are nationally-owned chains, the confirmation a consumer makes with a company may not be for a specific location in the consumer's area. Some companies require their customers to wait until 24 hours prior to their scheduled moving date before confirming the exact store branch location. Consumers should be aware that the store branch location assigned to them may not necessarily be the most convenient location in their area.

Consumers should ask questions to fully understand the rates and terms of the agreement. Additional products, such as insurance, may not be covered in the quoted rate and may not be necessary if the consumer already has an insurance policy in place that covers the rental truck. Check with your insurance company to see if you already have coverage. Consumers should also inquire about additional costs, such as gas, mileage, damage, or cleaning costs.

Hold the Company Accountable to its Confirmation

Some consumers run into scheduling problems when it's time to pick up the vehicle they have reserved. Some consumers reserved a truck only to be told that the company has "overbooked" and that the truck is not available. In such a case, the consumer should ask to speak to a manager immediately. Consumers should be prepared to document their confirmation number, the names of the staff that the consumer confirmed the reservation with, and the dates and times of such correspondence.

Inspect the Rental Truck before Beginning the Move

Some consumers have complained that they began a move, only to realize that the truck they rented was not fit to drive, or transport their property. Consumers should thoroughly investigate the vehicle on-site, before signing any papers. A consumer should also inspect the unit after the move to ensure that the company does not charge for damages not caused by the consumer.

For further information, or to make a complaint about an unscrupulous mover or rental truck company, contact the Minnesota Attorney General's Office.

Office of Minnesota Attorney General Keith Ellison

445 Minnesota Street, Suite 1400
St. Paul, MN 55101
(651) 296-3353 (Twin Cities Calling Area)
(800) 657-3787 (Outside the Twin Cities)
(800) 627-3529 (Minnesota Relay)