

# First Time Home Buyers Guide To



**Free Money And  
Low Interest Loans**

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## **Introduction**

Congratulations! You have just taken the first step to finding the money for your first home!

Day after day We read about government spending, but we do not realize that we could be eligible to receive some of that money.

### **Free Money**

What is free money? Usually it means grants or other programs where you don't have to pay back the money you receive.

How do you find the money? This is the biggest challenge to those that think they might qualify for money for a home in some way. But the key to getting this money is not a secret. If you are an organized person who can follow instructions, you can find money to help you purchase your home.

How to start:

Start by choosing one or more sources from this guide and start making your contacts. If you are not able to find a certain source, go to your Library and take a look at the Catalog of Federal Domestic Assistance, this is basically an index of all Government programs and is updated every six months.

Next, Start making contacts by either calling or writing to them and asking for all the information for the agencies criteria. At first, do not ask too many questions on your first request. Keep your request strictly to asking for applications and guidelines.

If your contact tells you they cannot help you, just ask if you can be referred to an agency that can. They may or may not know. Not everyone knows what the government has available.

In order to make the right contact it may take a few phone calls or letters. Don't make any enemy's in your pursuit. It may look like your getting the run around, but the only way you can succeed at this is to be friendly and offer an upbeat attitude to everyone you talk to.

## **How Much Home Can You Afford?**

The first step in the home-buying process is to determine how much home you can afford. Lenders use certain criteria to determine this amount and you will learn what they are. After all, you don't want to be wasting your time looking at 150,000 dollar homes when what you can afford is a 100,000 dollar home. But don't worry, our guide will also show you how to get the most home for your dollar as well.

Keep in mind that just because you qualify for that amount, it does not mean you can afford to be comfortable with those monthly payments. You need to consider your particular circumstances and your future financial needs and goals.

### **Get Pre-Qualified**

This is one of the best things you can do. By being pre-qualified you will be able to act immediately if you find the perfect home in your price range.

By prequalifying you will be able to determine how much house you can afford. It is very easy to do and will speed up the negotiation process.

There are five things the lender will need to have to pre-qualify you.

- Your annual household income
- Your current debt balances (credit cards, car loans, etc.)
- Your work history
- Amount in savings &
- Amount in your checking account

If you are not ready to call a mortgage lender, you can determine how much home you can afford using the information below.

### **How can you calculate how much mortgage you can afford?**

As a rule of thumb, many people estimate they are able to afford a mortgage of 2 or 2½ times their household income. For example, if you annual income is \$30,000, you might be able to afford a mortgage of \$60,000 to \$75,000:

$$\text{\$30,000} \times 2 = \text{\$60,000}$$

$$\$30,000 \times 2.5 = \$75,000$$

### **What do lenders look at when deciding whether or not to finance a mortgage?**

Lenders look at a debt-to-income (DTI) ratio when they consider your application for a mortgage loan. A DTI ratio is your monthly expenses compared to your monthly gross income.

Lenders consider monthly housing expenses as a percentage of income and total monthly debt as a percentage of income. Both ratios are important factors in determining whether the lender will make the loan.

### **What do lenders generally require?**

Lenders usually require the PITI (principal, interest, taxes, and insurance), or your housing expenses, to be less than or equal to 25% to 28% of monthly gross income. Lenders call this the “front-end” ratio. In other words, if your monthly gross income is \$2,500 or \$30,000 annually, your mortgage payment should be \$700 or less.

$$\$2,500 \times 28\% = \$700 - \text{maximum monthly housing costs}$$

Lenders usually require housing expenses plus long-term debt to be less than or equal to 33% or 36% of monthly gross income. Lenders call this the “back-end ratio.” In other words, if your monthly gross income is \$2,500, the combination of your mortgage, \$700, and other long-term debt should be no more than \$900:

$$\$2,500 \times 36\% = \$900 - \text{maximum total debt}$$

### **Components of a Mortgage Loan Payment**

Your mortgage payment (PITI) will reflect the following costs:

P = Principal. The amount applied to the outstanding balance of the loan.

I = Interest. The amount of the charge for borrowing money.

T = Taxes. 1/12th of the estimated annual real estate taxes on the home.

I = Insurance. 1/12th of the annual homeowners insurance premium. This figure will include flood insurance and private mortgage insurance (PMI), if required.

You will most likely pay the taxes and insurance along with the

principal and interest to the lender every month. In some cases, however, the lender may allow you the option to pay the taxes and insurance separately.

If the lender requires you to pay the taxes and insurance as part of your mortgage payment, the lender will open an escrow account to hold this money until the payments are due. Many people consider this convenient because they don't have to make separate payments. If you live in certain states, the escrow account will also earn interest.

## **Mortgage Shopping Worksheets**

### **Section 1**

You can use Section 1 to record basic information about loan options. Be sure to compare the APRs of loans from different lenders. In a mortgage, the APR includes any points charged. A point is the amount equal to 1% of the loan balance. It is paid to the broker or lender for processing your loan.

Name of Lender:

Name of Contact:

Date of Contact:

Mortgage Amount:

A. Basic Information about the Loan Mortgage

Type of Loan: Fixed rate, variable rate, conventional, FHA, other?

Minimum Down Payment Requirement

Loan term (length of loan)

Contract interest rate

Annual Percentage Rate

Points (may be called discount points)

Monthly PMI Payments

How long must you keep PMI?

Estimated Monthly Payment?(Principal, Interest, Taxes, Insurances, PMI)

Estimated Monthly Escrow for Taxes and Insurance?

### **Section 2**

You can use Section 2 to compare information about fees. The fees

listed are some of the standard fees that are included in the mortgage loan process.

Fees—different banks have different names for similar fees. Listed below are some of the typical fees you may see on loan docs.

Application or loan processing fee

Origination or underwriting fee

Lender fee or funding fee

Appraisal fee

Attorney fees

Document preparation and recording fees

Broker fees (may be quoted as points, origination fees, or interest rate add-on)

Credit report fee

Other fee: (list) \_\_\_\_\_

### **Section 3**

Use Section 3 to compare closing costs. The closing costs that you end up paying should be similar or less than the estimate you are given when you apply for the loan.

#### **Other Costs at Closing/ Settlement**

Title Search/Title Insurance

-For lender

-For you

Estimated prepaid amounts for interest, taxes, hazard insurance, payments for escrow

State and local taxes, stamp taxes, transfer taxes

Flood determination

Prepaid PMI

Surveys and home inspections

## Section 4

Use Section 4 to compare the total of the fees from Sections A, B, and C. Remember, when you shop for a mortgage, the lenders are giving you estimates, so the information may change.

### D. Total Fees and Other Closing/ Settlement Cost Estimates

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## Section 5

Use Section 5 to record information about other potential costs.

Name of Lender:

Other Questions and Considerations About the Loan Mortgage

Is there a prepayment penalty?

If so, how much is it?

How long does the penalty period last? (3 years? 5 years?)

Are extra principal payments allowed?

Lock-ins

Is the lock-in agreement in writing?

Is there a fee to lock-in?

When does the lock-in occur—at application, approval, or another time?

How long will the lock-in last?

When the rate drops before closing, can you lock-in at a lower rate?

If the loan is an adjustable mortgage:

What is the initial rate?

What is the maximum the rate could be next year?

What are the rate and payment caps each year and over the life of the loan?

What is the frequency of rate change and any changes to the monthly payment?



What is the index the lender will use?  
What margin will the lender add to the index?

### **Credit life insurance**

Does the monthly amount quoted to you include a charge for life insurance?

If so, does the lender require credit life insurance as a condition of the loan?

How much lower would your monthly payment be without the credit life insurance?

If the lender does not require credit life insurance, and you still want to buy it, what rates can you get from other insurance providers? So what do you do if your credit isn't good enough to qualify for a home loan? First you need to find out why you were turned down. The lender will send you a letter telling you the reason for denial. The reason may be that you have too much debt load, or maybe you don't have enough credit history, or maybe there was something derogatory on your credit report. Below are some ways you can rectify these problems.

### **Getting out of Debt--Five Ways You Can Pay Off Your Debt**

#### ***Change Credit Cards***

Change your current credit card balances to a card that charges a lower interest rate. When you have done this, then start paying off the balance.

#### ***Increase Your Monthly Payment***

Try to pay at least the monthly payment plus the finance charge that accrued for the month.

#### ***Pay Your Debt Off In One Year***

If you pay  $1/12^{\text{th}}$  of the principal each month, plus the finance charge, you can be debt free in a year.

#### ***Consolidate Your Debt with a New Loan***

Get a debt consolidation loan at a lower interest rate than your current credit card rates and pay off your credit card debt. This will let you pay more on the principal each month and lower your debts.

## **Fixing Your Credit**

If the letter from the lender says that you were turned down because of derogatory information in a credit report, then you will need to contact the credit reporting agency to find out what this information was. Below is the contact information for two of the major credit bureaus.

Experian National Consumer Assistance Center  
P.O. Box 2002 Allen, TX 75013

Telephone: 1-888-Experian

Website: [www.experian.com](http://www.experian.com)

TransUnion Corporation

P.O. Box 2000 Chester, PA 19022

Telephone: 1-800-888-4213

Website: [www.equifax.com](http://www.equifax.com)

Contact at least two of the major credit bureaus by phone or mail and request your credit report.

After you receive your credit report, go over it carefully. If you believe that the derogatory item(s) are incorrect, then you will need to take the following steps:

If the item is one that you have paid off, gather any proof of payment that you have and contact the creditor requesting that the item be removed from your credit report. Contact the credit bureau and let them know that you are disputing this item and request that a corrected report be sent to you within thirty days.

If the item is one that you do not recognize as yours, then you will need to contact the creditor asking for verification of the debt. If they do not provide verification then they must remove the item from your credit report.

If the item is one that you do still owe, contact the creditor and make arrangements to pay the debt off. As soon as it is paid off, contact the creditor and request that they have the item removed from your credit report.

In any contact with the creditor or credit bureau, be sure to get the name of the person you are talking with. This will make it easier in case you need to do a follow-up contact.

### Building Good Credit If You Don't Have Any

First you should open a checking and savings account with a local bank or credit union. Then apply for a credit card at a national chain store like Sears, Home Depot or Circuit City. Make some purchases with your new card and then pay off the bill.

Now apply for a Visa or MasterCard. Make some purchases and pay your bill on time for a while. Now that you have established credit, apply for an American Express, Visa Gold or Gold MasterCard account.

### **Beware Of Credit Repair Services**

"Credit Counseling" and "Commercial Counseling" services are two completely different things. Before you sign any papers that end up causing you even more financial harm, you better know who you are dealing with.

Whereas credit counseling services are generally non-profit, commercial counseling services (clinics) may charge you 10%-15% or more of your total debt.

Meanwhile, the services provided by the non-profit agency is basically the same.

## Locating Your New Home

### *Determining the type of house and where you should buy*

Once you have decided to buy your first home you will need to decide what kind of home fits your needs.

How many bedrooms will you need?

How many bathrooms will you need?

How large a yard do you want?

Do you want to live in the city, country or suburb?

You should make a list of what you are looking for in a home. Start with a general price range and location, but keep an open mind.

**Your best buy in a home is going to be the worst home in the best neighborhood.**

Don't buy a house--buy a neighborhood. You can determine a good neighborhood by looking at the schools, shopping and churches. If businesses are moving out? If they are, then this is the sign of a neighborhood in decline.

### **Inspecting The Neighborhood**

Find out where the stores, schools, parks, public transportation and entertainment are located, then ask yourself these questions.

- Is the house located conveniently to schools and shopping?
- Are there highways nearby?
- Will it be easy to get back and forth to work?
- What is the busy hour traffic like?

Drive through the neighborhood at night as well as during the day.

Is it a quiet neighborhood or a noisy one?

Are there any strange smells?

Is the street lighting adequate ?

How many people are out walking at night?

## ***Finding Homes For Sale***

### **Conventional Sources of Homes**

#### **Newspaper**

Look in the classified section of your local newspaper for real estate ads. You will find the best buys in the Wednesday and Sunday papers.

Find a good real estate agent, one that will work for your interest.

Drive through some of the neighborhoods you like and see if there are any for sale by owner properties available.

### **Government Sources of Homes**

#### **Federal Government Agencies**

##### **VA Homes**

Many homes are sold for no money down with easy qualifying loans.

##### **HUD Homes**

These are repossessed houses that are sold by the government.

##### **State Government Agencies**

Many houses are available through several state agencies.

##### **City Housing Development Agencies**

Down payment grants, assistance and low interest rate loans are available to persons needing help to buy their homes.

Many other agencies sell homes at bargain prices to home buyers. We will discuss them later in this book.

## **Bargain Properties From The Government**

You may have seen the ads on TV for a list of foreclosure homes. Well, you don't need to pay for this information, in this chapter we will show you where to find foreclosure homes from the government. Not just HUD homes, but homes from several government programs at prices way below market value.

Bargain real estate can be purchased from government and financial agencies. Government sales are available from HUD, the VA, and the USDA and from agencies that regulate and make money available to banks, FNMA, FHLMC and the FDIC.

### **Buying a HUD home**

The best reasons to buy a HUD home are that HUD homes are sold through a bidding process and as long as they receive at least two bids, the highest bid is accepted. This means that many HUD homes sell for less than the minimum bid and at a large discount. HUD also pays the realtor's commission from your bid and they will pay the closing costs up to 5% of your winning bid. If you are an owner-occupant you can purchase HUD homes for as little as 3 percent down.

How do you find HUD homes? You can get a current listing of the homes available in your area by contacting your HUD Regional office. You can find a list of HUD regional offices online at [HUD's website](#).

All HUD homes are sold through real estate agents. When you get the list from HUD there will be an agent's name with the listing.

### **How To Bid On A HUD Home buyer**

After you have gotten a list of the homes in your area and have contacted a HUD approved real estate agent, you should then get pre-qualified for a mortgage. Then contact your real estate agent and look at the homes. If you find one that you like you can then submit a bid. Your HUD approved real estate agent will help you complete the bid form.

You will need to submit an "earnest Money" deposit with the bid. The deposit amount varies from 500 to 2000 dollars. Your HUD real estate agent will be able to guide you in this. The bidding is by sealed bid and only the HUD official will see the bid on the day of the auction.

Auctions are held a couple times each month in most cities. If you are a successful bidder you will be notified the day that the bids are open. You will then have 30 to 45 days to close on the house.

### **Buying a Veterans Administration Foreclosure House**

The VA sells homes that were purchased with VA loans and then have gone into foreclosure. The VA sells these homes through the VA Acquired Home Disposal Program. This program is administered by the VA Property Management Division.

There are thousands of homes available through the VA and they are anxious to dispose of these properties, so they are available at excellent prices. All states have a VA Property Disposal program and everyone is eligible to purchase these homes.

### **Finding VA Foreclosure Homes**

It is real easy to find VA properties that are available for sale if you have Internet access. Just go to their website at [www.homeloans.va.gov](http://www.homeloans.va.gov)

Once you are there, select the "property management" link. You will then be prompted to select the state you reside in. You will then be redirected to your states web pages. Once you are there, you can see the current property listings and find out about the guidelines for buying a VA acquired home.

If you do not have Internet access, you can contact your VA offices Property Management Division. A listing of Benefits offices is included at the end of this book under "Contact Information"

After you have found some homes you are interested in, contact a Realtor who is VA approved to show you the homes. If you see one you like you should immediately get pre-qualified for a mortgage. After you get pre-qualified, get together with your real estate agent and submit your bid. You will need to include a deposit with the bid. You will be notified at the bid opening if you are a successful bidder, You will then have 30 to 45 days to close.

### **FDIC Properties**

The Federal Deposit Insurance Corporation sell foreclosure homes. These homes are from the assets of failed banks. The FDIC has to sell

these properties as quick as possible through their Division Of Liquidation.

Foreclosures are offered first to those in the low and moderate income bracket. To qualify your income cannot exceed 115 percent of the average median income for the area the home is in. The size of your family will also be considered.

After purchase you must live in the home for 1 year and one day.

### **Finding An FDIC Property**

To locate FDIC properties in your area you will need to call your local FDIC office. You can find them in the government pages of your phone book. Request a list of available homes in your area and the FDIC will mail them to you. (Some FDIC offices will fax them on request). The list you receive will include the address of the properties, the asking price and name of the real estate agent to contact.

### **Buying An FDIC Property**

FDIC homes are sold through a sealed bid process, much the same as HUD and VA homes. The bids have to be submitted through an FDIC registered broker. All bids submitted must be on a FDIC Purchase and Sales Agreement form. To make the process quicker you should request one of these forms when you make your initial contact with the FDIC.

All FDIC Properties are sold on an "as is" basis. Your offer will take 30 to 60 days to process. Your real estate agent can help you with the bidding process. If you see a home that does not have a real estate agent assigned to it, then you can submit your bid directly to the FDIC.

### **Free Money For Home Repairs**

On HUD and Va Homes you may qualify to receive from 500 to 2000 dollars for home repairs. You can ask your real estate agent about these fixer-upper homes and how to qualify for this money.



## **Free Down Payment Money For First Time Home Buyers**

Great programs that help thousands of families realize their dream of home ownership by assisting them with the down payment and closing costs are available through government and community action groups. In this chapter you will learn how to locate and apply for this free money. Below is a list of national organizations that provide assistance for home buyers. You can click on the heading to go to each organizations website.

### [American Dream Charity](#)

**1 East Diamond Ave. Suite C  
Gaithersburg, MD 20877  
301-977-9133**

American Dream Charity provides gift funds of up to 5 percent of the homes sale price. You do not need to be a first time home buyer to be eligible for this program. Any home can qualify if it meets the standards and criteria of the mortgage that the home buyer is using to purchase the home. The price that the home is selling for must not exceed it's appraised value, The seller of the home must agree to contribute to the CDS Home Grant Program and pay the processing of 650 dollars.

### [Genesis Program](#)

**8834 N Capital Of Texas Hwy. Suite 110  
Austin TX 78759  
512-231-0270**

The funds from this program can be used for down payment, closing costs or to payoff debts to qualify for a mortgage. There are no geographic restrictions and conforming and no-conforming mortgages are accepted. Registration by the Realtor or Mortgage company is not required. Genesis can provide the funds within 24 hours of receiving the required paperwork. You do not have to be a first time home buyer to qualify and up to 22,500 dollars is available for single family homes, townhouses and manufactured homes.

### [Hart Program](#)

**Rancho Cucamonga, CA  
909-454-1574**

Hart provides gift funds of up to 15,000 dollars. You do not need to be a first time home buyer to be eligible for this program. Any home can qualify if it meets the standards and criteria of the mortgage that the home buyer is using to purchase the home. The price that the home is selling for must not exceed it's appraised value, The seller of the home must agree to contribute to the CDS Home Grant Program and pay the processing of 650 dollars for homes sold for 100,000 dollars or less or 950 dollars for homes sold for more than 100,000 dollars.

### [Nehemiah](#)

**1851 Heritage Lane Suite 201  
Sacramento, CA 95815  
916-231-1999**

Nehemiah provides gift funds of up to 3 percent of the homes sale price. You do not need to be a first time home buyer to be eligible for this program. Any home can qualify if it meets the standards and criteria of the mortgage that the home buyer is using to purchase the home. The price that the home is selling for must not exceed it's appraised value, The seller of the home must agree to contribute 3 percent to Nehemiah Corporation and pay a processing fee of 800 dollars on a new home or 950 dollars for an existing home.

### [Partners In Charity](#)

**10 E. Main St. Suite 114  
East Dundee, IL 60118  
1-800-705-8350**

Partners In Charity provides gift funds of up to 5 percent of the homes sale price. You do not need to be a first time home buyer to be eligible for this program. Any home can qualify if it meets the standards and criteria of the mortgage that the home buyer is using to purchase the home. The price that the home is selling for must not exceed it's appraised value, The seller of the home must agree to make a contribution to PIC and pay a processing fee of 3/4 percent of the

homes sale price.

### [Neighborhood Gold](#)

**313 East University Parkway  
Orem, UT 84058  
888-627-3023**

Neighborhood Gold provides gift funds of up to the homes appraised value. You do not need to be a first time home buyer to be eligible for this program.

### [Midwest Grants](#)

Midwest Grants provides gift funds of up to the homes appraised value. You do not need to be a first time home buyer to be eligible for this program.

### [Homestead Trust](#)

**1-877-550-7005**

Homestead Trust provides gift funds of up to 10 percent of the homes sales price. Funds can be used for down payment and closing costs. You do not need to be a first time home buyer to be eligible for this program.

### [Realty America](#)

**2040 Hwy A1A Suite 206  
Indian Harbor Beach, FL 32937  
1-888-708-6005**

Realty America provides gift funds of up to 5 percent of the homes sales price. Funds can be used for down payment and closing costs. You do not need to be a first time home buyer to be eligible for this program. Qualifying properties are single family, owner occupied homes.

### [National Home Foundation](#)

**15200 Shady Grove Rd Suite 202  
Rockville, MD 20850  
301-840-3844**

National Home Foundation provides grants of up to 25,000 dollars that can be used for a down payment in conjunction with any FHA or conventional loan that allows the down payment to be a gift from a charitable organization.

### [Buyers Assistance](#)

Buyers Assistance provides grants of up to 25,000 dollars that can be used for a down payment in conjunction with any FHA or conventional loan that allows the down payment to be a gift from a charitable organization.

### [A New Horizon](#)

**Hillsboro Executive Center North  
500 Fairway Dr. Suite 208  
Deerfield Beach, FL 33441  
1-800-556-1548**

Grant provider for first time home buyers. Call for details or visit their website.

### **HOPE 3**

This great program makes homeownership possible by providing financial assistance to home buyers for the purchase and/or rehabilitation eligible properties. Assistance includes:

- Mortgage interest rate buy downs
- Grants for down payments and closing costs
- Loans for down payments and closing costs

You can qualify for HOPE 3 assistance if you are a first time home buyer and are below 80% of the median income for your area. The program also requires that the cost of principal, interest, taxes and insurance (PITI) for your new home comes to no more than 30% of your income.

The program is not available nation wide. For more information about the availability of HOPE 3 funds in your area, contact you local HUD office.

## **GMAC Mortgage**

**1-858-450-3373**

GMAC Mortgage has a program called the HomeStretch Plan. With this plan you can get a 30 year fixed rate mortgage plus a second mortgage for up to 4 percent of the loan, that can be used for the down payment or closing costs. The second mortgage can be completely forgiven after you have lived in your home for 10 years.

## **State Housing and Local Housing Programs**

All of the above are private programs, you will also find many local and state programs for down payment assistance. Federal government grant money is made available mostly through state and local governments. You can find these programs by looking in the government section of your phone book under Housing Agencies or under Local Community Development . When calling them ask for details on their housing and down payment assistance programs.

## **No and Low Down Payment Financing Programs**

In this chapter we cover the many different programs available from the government for financing your new home with little or no down payment and at exceptional interest rates. By using these programs you can purchase more home than what you would qualify for with conventional sources of financing. There are also many programs for low-income families that normally would not qualify for home ownership.

There are number of different programs available for first-time home buyers. Many people start the home buying process with one of these programs, or with a community organization.

Below is a list of GreatStart Bank's partner programs.

### **Individual Development Account Program**

GreatStart Bank's Individual Development Account program, or IDA, partners you with participating organizations that match your savings contributions to help you save for a down payment or closing costs. For example, the Community Investment IDA program will match \$3 to your every \$1 of savings, with a maximum of \$5,000 towards a down payment or closing costs for your first home. In order to participate, you must attend home ownership counseling and set up a savings account at GreatStart Bank. You must also complete GreatStart Bank's financial education classes.

### **Homeowner Education Program**

GreatStart Bank's Homeowner Education program helps people understand the process of buying a home. It offers information on topics like budgeting, finding a home, getting a loan, and maintaining a home. The Federal Housing Authority (FHA) also has a program you can participate in called the Homeowner Education Learning Program, or HELP. If you plan to get an IDA, you must complete one of these programs.

### **Government Loan Program**

GreatStart Bank's loan officers can also identify a government loan

program to help you, if you are eligible. Government loan programs are usually targeted to individuals and families with a modest income. These programs might have purchase price limitations, service charges, and higher loan origination fees. They also have one or more of the following characteristics:

**Zero or low down payment requirements.**

For example, some require a 3% down payment, and some require 5%, with 3% having to come from the borrower and 2% coming from other gifts or other grants.

**More flexible underwriting standards.**

This means the lender will consider non-traditional forms of proof of credit history, such as rent or utility payments, and higher ratios of debt compared to your income.

**Longer payment terms than standard mortgage loans.**

**Home buyer Assistance Programs**

There are a number of different programs available for first-time home buyers. Many people start the home buying process with one of these programs, or with a program offered by a local community organization. The following are brief outlines of the most common home buyer assistance programs:

***Federal Housing Administration (FHA) Insured Loans***

**The 203(b) is the most common FHA loan, featuring:**

- Low down payment
- Flexible qualifying guidelines
- Limited lender fees
- Maximum loan amounts

**Department of Veterans Administration (VA) Insured Loans**

The Veterans Administration guarantees no-down payment loans for the purchase of new and used homes for eligible veterans or their spouses. The loans are guaranteed by the Veterans Administration but the loans are made through private financial institutions. The VA does not directly lend the money to the veteran. The maximum loan period is 30 years. Interest rates are about the same as FHA. VA loans are

fully assumable.

Veterans must submit their discharge papers and once they are qualified, they obtain the Certificate from the VA. Veterans can recertify when the loan is paid off or the loan is assumed by another veteran using his eligibility.

**Features of VA loans include:**

- You must be an eligible veteran
- There are no down payment requirements
- Competitive and negotiable fixed interest rates
- Limitations on closing costs
- Longer payment terms

***Federal National Mortgage Association (FNMA) Loans***

**The FNMA Community Home buyers Program features:**

- 5% down payment
- Expanded debt-to-income ratios (33% and 38%)
- You must attend home buyer education
- You must earn no more than the median income for the area in which you live
- One family principal residence
- **The Fannie 97 Features include:**
  - Fixed rate
  - 3% down payment
  - Expanded debt-to-income ratios (33% and 38%)
  - You must attend home buyer education
  - You must earn no more than the median income for the area in which you live
  - You must have saved money for one month advance payment in an account at closing

**The Flexible 97 Features include:**

- You must have very good credit
- 15, 20, 25, and 30-year terms
- 3% down payment can be a gift or a grant from nonprofit or government agency
- No borrower income limits or property location restrictions
- Up-front mortgage insurance costs are lower than FHA loans



### **The Fannie 3/2 Features include:**

- Fixed rate
- 15 or 30 year term
- 5% down payment –3% from your own resources, 2% from a government agency, nonprofit organization, employer, or private foundation
- Expanded debt-to-income ratios (33% and 38%)
- You must attend home buyer education
- You must earn no more than the median income for the area in which you live

### ***United States Department of Agriculture (USDA) Rural Housing Services***

**The 502 Rural Housing Direct Loan is offered only in rural areas.**

The Rural Housing Service (RHS) is a division of the U.S. Department of Agriculture that makes low interest rate loans and loan guarantees for people living in rural areas with populations of less than 10,000.

### **Features include:**

- You must have low income—between 50% and 80% of the median income for the area in which you live
- The loan can be financed at 100%
- Payments are usually 22% to 26% of your income
- You must not be able to obtain financing elsewhere

### **502 Single Family Housing Loan Guarantees features:**

- You can earn up to 115% of the median income for the area in which you live
- You must be without adequate housing
- You must be able to afford the payments
- You must not be able to obtain credit elsewhere
- 30-year term
- No down payment

### **502 Mutual Self-Help Housing Loans features:**

- Primarily used to help low and very low income households construct their own homes
- Intended for families unable to buy clean, safe housing through conventional methods
- Families must perform at least 65% of construction labor on each other's homes under qualified supervision
- You must be unable to get credit elsewhere
- You must be able to make payments
- Payments are usually 22% to 26% of your income
- 33 or 38-year terms
- No down payment

## **State Housing and Local Housing Programs**

You will also find many programs for below market rate interest mortgages with your state and local government. Federal government grant money is made available mostly through state and local governments. You can find these programs by looking in the government section of your phone book under Housing Agencies or under Local Community Development. When calling them ask for details on their housing and down payment assistance programs.

## **Mortgage Terms**

**Pre-payment penalties:** Some mortgages charge a fee if you pay the loan off early.

**Lock-in:** Allows the borrower to guarantee that the interest rate will not increase or decrease before the loan closes.

**Adjustable rate loans:** Require additional disclosures, such as the maximum amount that the interest rate can increase or decrease each month, each year, or during the life of the loan. The lender must also disclose the index that will be used to determine rate changes. The index is a base interest rate that is used to calculate a variable rate loan's interest rate. The rate you will pay on a variable rate loan is usually a set percentage above the index. The index is also called the base rate.

**Credit life insurance:** Pays off the mortgage if anything happens to the borrower. The lender has to disclose all of the details of credit life insurance if you choose this option.

## **Mortgage Credit Certificate Program**

Many county and city governments offer a special Mortgage Credit Certificate Program that is designed to provide financial assistance to first time home buyers.

A MCC is a certificate that authorizes the holder to take certain federal income tax credits.

Home buyers who receive a MCC may take an annual credit against their federal income taxes of up to 20% of the annual interest paid on their mortgage.

What is the Difference Between a "Tax Credit" and a "Tax Deduction?"

A tax credit entitles a tax payer to subtract the amount of the credit from his or her total federal income taxes owed, thus allowing a dollar for dollar savings.

A tax deduction is subtracted from the adjusted gross income of the home buyer before federal income taxes are computed. With a deduction, only a percentage of the amount deducted is realized in savings.

How Does the MCC Reduce Your Interest Rate

The MCC reduces the amount of federal income taxes owed, therefore increasing the home buyer's spendable income to help qualify for a loan and to make the monthly payments.

For example, a home buyer with an 8% loan of \$100,000 would make about \$8,000 in first year interest payments. With a 20% MCC, up to \$1,600 would be allowed as a tax credit toward the home buyer's tax liability.

## **Contact Information**

### **Veterans Benefits Administration: Eastern Area Office**

Eastern Area Office 24 Frank Lloyd Wright Dr. P.O. Box 303, Lobby B, 3rd Floor Ann Arbor, MI 48106 1-800-827-1000

313 Baltimore Regional Office 31 Hopkins Plaza Federal Building Baltimore, MD 21201 1-800-827-1000

301 Boston VA Regional Office JFK Federal Building, Government Center Boston, MA 02114

307 Buffalo Regional Office 130 S. Elmwood Avenue Buffalo, NY 14202-2478 1-800-827-1000 (C&P Benefits)

325 Cleveland Regional Office A.J. Celebrezze Federal Building, 1240 East 9th Street Cleveland, OH 44199 1-800-827-1000

329 Detroit Regional Office Patrick V. McNamara Federal Bldg., 477 Michigan Ave. Detroit, MI 48226

308 Hartford Regional Office 450 Main Street Hartford, CT 06103 1-800-827-1000

326 Indianapolis Regional Office 575 N Pennsylvania St. Indianapolis, IN 46204 1-800-827-1000

373 Manchester Regional Office Norris Cotton Federal Bldg., 275 Chestnut St. Manchester, NH 03101 1-800-827-1000

306 New York Regional Office 245 W Houston St. New York, NY 10014 1-800-827-1000

309 Newark Regional Office 20 Washington Place Newark, NJ 07102 1-800-827-1000

310 Philadelphia Regional Office and Insurance Center 5000 Wissahickon Avenue Philadelphia, PA 19101 1-800-827-1000

311 Pittsburgh Regional Office 1000 Liberty Avenue Pittsburgh, PA 15222 1-800-827-1000

304 Providence Regional Office 380 Westminster Mall Providence, RI 02903 1-800-827-1000

402 Togus VA Med/Regional Office Center 1 VA Center Togus, ME 04330 207-623-8411

405 White River Junction Regional Office N. Hartland Road White River Junction, VT 05009 1-800-827-1000

460 Wilmington Regional Office 1601 Kirkwood Hwy. Wilmington, DE 19805 1-800-827-1000

### **Veterans Benefits Administration: Southern Area Office**

Southern Area Office 3322 West End, Suite 408 Nashville, TN 37203 1-800-827-1000

316 Atlanta Regional Office 1700 Clairmont Road Decatur, GA 30033 1-800-827-1000

319 Columbia Regional Office 1801 Assembly Street Columbia, SC 29201 1-800-827-1000

315 Huntington Regional Office 640 Fourth Ave. Huntington, WV 25701 1-800-827-1000

323 Jackson Regional Office 1600 E. Woodrow Wilson Avenue Jackson, MS 39216 (601) 364-7000

327 Louisville Regional Office 545 S 3rd St. Louisville, KY 40202  
334 Montgomery Regional Office 345 Perry Hill Rd. Montgomery, AL 36109 1-800-827-1000  
320 Nashville Regional Office 110 9th Avenue South Nashville, TN 37203 1-800-827-1000  
314 Roanoke Regional Office 210 Franklin Rd. SW Roanoke, VA 24011 1-800-827-1000  
355 San Juan Regional Office 150 Carlos Chardon Avenue Hato Rey, PR 00918 1-800-827-1000  
317 St. Petersburg Regional Office 9500 Bay Pines BLVD St. Petersburg, FL 33708 1-800-827-1000  
372 Washington D.C. Regional Office 1722 I Street N.W. Washington D.C., DC 20421 1 800 827 1000  
318 Winston-Salem Regional Office Federal Building, 251N. Main Street Winston-Salem, NC 27155 1 800 827 1000

#### **Veterans Benefits Administration: Central Area Office**

Central Area Office Federal Building 125 South Main Street Muskogee, OK 74401-7025 1-800-827-1000  
328 Chicago Regional Office 2122 W Taylor Street Chicago, IL 60612 1-800-827-1000  
333 Des Moines VA Regional Office 210 Walnut Street Des Moines, IA 50309 1 (800) 827-1000  
437 Fargo Regional Office 2101 Elm Street Fargo, ND 58102-2417 701-451-4600  
362 Houston Regional Office 6900 Almeda Road Houston, TX 77030 1 800 827 1000  
334 Lincoln Regional Office 5631 South 48th Street Lincoln, NE 68516 1-800-827-1000  
330 Milwaukee Regional Office 5400 West National Avenue Milwaukee, WI 53214 1 800 827 1000  
351 Muskogee Regional Office 125 South Main Street Muskogee, OK 74401 1-800-827-1000  
321 New Orleans Regional Office 701 Loyola Avenue New Orleans, LA 70113 1-800-827-1000  
350 North Little Rock Regional Office 2200 Fort Roots Drive, Building 65 North Little Rock, AR 72114-1756 1-800-827-1000  
438 Sioux Falls Regional Office P.O. Box 5046, 2501 W 22nd St. Sioux Falls, SD 57117 1-800-827-1000  
331 St. Louis Regional Office Federal Building, 400 South, 18th Street St. Louis, MO 63103 1 (800) 827 1000  
335 St. Paul Regional Office 1 Federal Drive, Fort Snelling St. Paul, MN 55111-4050 1-800-827-1000  
349 Waco Regional Office 1 Veterans Plaza, 701 Clay Av. Waco, TX 76799  
452 Wichita Regional Office 5500 E. Kellogg Wichita, KS 67211 1 800 827 1000

#### **Veterans Benefits Administration: Western Area Office**

999 Western Area Office 3333 North Central Avenue Phoenix, AZ 85012-2402 1-800-827-1000  
340 Albuquerque Regional Office Danis Chavez Federal Building , 500 Gold Avenue, S.W., Albuquerque, NM 87102 1 800 827 1000  
363 Anchorage Regional Office 2925 DeBarr Road Anchorage, AK 99508-2989 1

800 827 1000

347 Boise Regional Office 805 W. Franklin Street Boise, ID 83702

442 Cheyenne VA Medical / Regional Office Center 2360 E. Pershing Blvd.

Cheyenne, WY 82001 1-800-827-1000

Denver Regional Office 155 Van Gordon St. Lakewood, CO 80228 1-800-827-1000

436 Fort Harrison Medical and Regional Office William Street off Highway Fort

Harrison, MT 59636 1-800-827-1000

359 Honolulu Regional Office 459 Patterson Road, E-Wing Honolulu, HI 96819-1522

1-800-827-1000

344 Los Angeles Regional Office Federal Building, 11000 Wilshire Boulevard Los

Angeles, CA 90024 1-800-827-1000

358 Manila Regional Office 1131 Roxas Blvd., Ermita 0930 Manila, PI 96440 (011)

(632) 528-6300

343 Oakland Regional Office 1301 Clay Street, Rm. 1300 North Oakland, CA 94612

1-800-827-1000

345 Phoenix Regional Office 3225 N. Central Ave. Phoenix, AZ 85012 1-800-827-

1000

348 Portland Regional Office 1220 SW 3rd Avenue Portland, OR 97204 800-827-

1000

354 Reno Regional Office 1201 Terminal Way Reno, NV 89520 1-800-827-1000

341 Salt Lake City Regional Office 550 Foothill Drive Salt Lake City, UT 84158

Personal Interviews - Monthly Average FY-98 84

377 San Diego Regional Office 8810 Rio San Diego Drive San Diego, CA 92108 1-

800-827-1000

346 Seattle Regional Office Federal Building, 915 2nd Avenue Seattle, WA 98174 1

800 827 1000