

A young man with curly brown hair and a beard, wearing a grey t-shirt and blue jeans, is holding a large cardboard box. A young woman with long brown hair, wearing a blue denim jacket over a white shirt and blue jeans, is standing next to him, leaning her head on his shoulder and smiling. To their left is a tall stack of five cardboard boxes, with a blue-handled tape dispenser and a roll of tape on top. A green plant is visible on the far left. The background is a light green wall with a white diagonal stripe.

Buying a Home A Step-by-Step Guide



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Please note that this brochure is designed to give you a general understanding of how to buy a home with a mortgage from MassHousing. This publication does not constitute solicitation or provision of legal advice. We recommend that home buyers obtain legal advice from a licensed attorney experienced in real estate matters.

MassHousing does not lend directly to consumers and offers its loan products through MassHousing Approved Lenders. For questions on MassHousing loan programs or to locate a MassHousing Approved Lender near you please visit masshousing.com.

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BUYING A HOME

Buying a home is probably the most important financial investment you will ever make. Since the homebuying process is often confusing to first-time buyers, MassHousing has prepared this booklet to make you aware of the major steps involved in a home purchase with MassHousing financing.

Benefits of MassHousing Financing

Before we take you through the steps in the homebuying process, you will want to review *Purchasing or Refinancing your Home*, a brochure describing MassHousing's programs.

To qualify, you must be a creditworthy homebuyer whose income and mortgage amount fall within certain guidelines.

The benefits of these programs to low- and moderate-income, first-time buyers include:

- Low interest rates
- Low downpayment options
- Favorable underwriting ratios
- Rehabilitation financing options
- Access to MassHousing's Mortgage Insurance Fund, and for eligible borrowers, MIPlus™ Payment Protection Benefit
- Opportunities for homebuyer counseling
- Zero-, one-, and two-point options on programs
- Statewide availability

Determining Whether You Can Afford to Buy a Home

All prospective homebuyers should first try to answer this basic question: *Can you afford to buy and maintain a home?*

Underwriting Ratios

Housing Expense-to-Income Ratio

Your total monthly housing expenses should not exceed 33% of your stable gross monthly income (regular monthly income before deductions for federal and state taxes and Social Security). Your monthly housing expenses include: mortgage principal, interest, real estate taxes, mortgage insurance, hazard insurance, and, if applicable, homeowner's association fees. Use the chart at the right to calculate this ratio.

Please note that if you are purchasing a two-to-four family home, a portion of the rental income will be included as part of your gross income. Consult your lender for complete details.

You should calculate your stable monthly income, projected housing expenses plus all other long-term debts. Your total monthly expenses should not exceed 41% of your gross monthly income. Use the chart below (continued on next page) to calculate this ratio.

Income

Your stable gross monthly income _____

Your stable monthly overtime/bonuses _____

Your stable monthly rental income _____

Stable secondary monthly income _____

A. Income Total \$ _____

Housing Expenses

Mortgage payments
(projected principal and interest) _____

Monthly fire and hazard insurance _____

Monthly real estate taxes _____

Monthly private mortgage insurance _____

Monthly homeowner's association fee
(if applicable) _____

B. Housing Expense Total \$ _____



Monthly Payment-to-Income Ratio

Your projected monthly housing expense plus payments on all other long-term debts should not exceed 41% of your stable gross monthly income. Long-term debt includes 5% of the outstanding balances on revolving credit cards (e.g. VISA, MasterCard, etc.) as well as installment debt having a remaining term of more than 10 months such as car payments, bank loans, student loans, and finance company loans. Use the chart at the right to calculate this ratio.

Long Term Debt Payments

Car loan _____
Car loan _____
Education loan _____
Education loan _____
Credit card(s) _____
Other loan(s) _____
Total B from previous page _____

C. Total Monthly Payments \$ _____

*Payment-to-income ratio** % _____

* Total monthly payments (Total C) divided by monthly income (Total A) equals the payment-to-income ratio. This ratio should not exceed 41%.

Monthly Mortgage Payments

The table on the right will help you assess the impact of various interest rates on your monthly mortgage payments. You should be aware that these examples are estimates of the principal and interest and do not include real estate taxes and insurance costs.

30-Year Fixed Interest Rate:	Mortgage Amount			
	\$75,000	\$100,000	\$150,000	\$200,000
	Monthly Payment			
7.5% Interest Rate	\$524	\$699	\$1,049	\$1,398
7% Interest Rate	499	665	998	1,331
6.5% Interest Rate	450	600	899	1,199
6% Interest Rate	426	568	852	1,136
5.5% Interest Rate	426	568	852	1,136
5% Interest Rate	403	537	805	1,074

Mortgage Limits

The mortgage amount must be within MassHousing's home mortgage limits. These limits vary depending on the geographic area in which you are buying and the type of home (e.g., one-to-four family, including condominiums) you are purchasing. (See insert in the back of our *Purchasing or Refinancing your Home* brochure for MassHousing's current limits or visit www.masshousing.com.)

Downpayments

Conventional lenders often require downpayments of as much as 20% of the home purchase price; MassHousing allows lower downpayments because we recognize that with increases in housing costs, many families have difficulty saving for a downpayment and for mortgage closing costs (discussed in the next section).

Closing Costs

Now is also a good time to consider how much it will cost you to close a loan should your application for a mortgage be approved.

Closing costs are over and above the downpayment for the house and generally include mortgage application and attorney fees, title insurance, fire and hazard insurance (protects both lender and borrower from losses due to fire and other hazards to the house), mortgage insurance premiums (see below), filing and recording fees, standard bank settlement costs, a bank origination fee, and a MassHousing processing fee.

If your downpayment is less than 20% of the purchase price, your MassHousing loan must be insured by an approved mortgage insurer. Because of increasingly restrictive guidelines adopted by private mortgage insurance companies, MassHousing has created its own Mortgage Insurance Fund. Based on their individual needs, borrowers can choose from one of three mortgage insurance payment options; monthly, single premium, or a lender paid single premium.

In addition, the mortgage insurance provided by The Mortgage Insurance Fund includes MIPlus™ Payment Protection Benefit if you become unemployed. This benefit - at no additional cost- provides eligible borrowers up to 6 months of principal and interest payments for a maximum of \$2000 a month.

The cost of mortgage insurance at closing will depend on the amount of your mortgage loan. For example, if you make a downpayment ranging from 5% to 10% of the purchase price, you will pay more for mortgage insurance than you will if you make a downpayment of between 15% and 19%.

Together, all these closing costs will run between 2% and 5% of the amount of the mortgage loan. Closing costs will vary depending upon several factors, including whether you choose a mortgage product with a zero-, one-, or two-point option and the costs of mortgage insurance.

After determining what you can afford and noting MassHousing's requirements, you can begin the search for an affordable property.

FINDING AN AFFORDABLE PROPERTY

If you are a prospective first-time homebuyer, finding an affordable home can seem like an unattainable goal. A home comparison checklist is a helpful way to begin the homebuying process and to determine what kind of property will suit your needs.

Newspaper classifieds and real estate websites can also help you in your search.

Getting Help from a Real Estate Broker

Once you have a clear picture of what you are looking for, you may want to contact a real estate broker. A professional broker knows the market and can make house hunting easier for you. He or she can give you a better understanding of the geographic area and price range. The property seller usually pays the broker's commission.

Prospective buyers should understand that, in most cases, the broker represents the seller – not the buyer. In recent years, "buyer-brokers" have appeared in increased numbers on the real estate scene. They are legally, ethically, and professionally obligated to protect the interests of the homebuyer. That means that a buyer-broker should work to help you get the lowest price on your house and the best terms on your mortgage.

Buying a House in Need of Extensive Repair

Often, the best deals on the real estate market are houses in need of substantial repair. These properties are often referred to as "handyman specials." Through MassHousing's Purchase and Rehabilitation option, you can receive financing for the purchase and renovation of a house.



MAKING AN OFFER TO THE SELLER

Once you have found a house meeting MassHousing's purchase price limits, you are ready to make an offer to the seller. Your offer should reflect the length of time the property has been on the market, what housing is available in the area, and how much you want the house. If your offer is lower than the seller's asking price, the seller may accept or reject your offer or make a counteroffer.

If you decide to withdraw from the Purchase and Sale or Accepted Offer to Purchase agreement for any reasons not stated in the documents, you can lose your deposit. Accordingly, all borrowers are advised to obtain professional legal advice prior to signing either an Purchase and Sale Agreement or an Accepted Offer to Purchase so that you can fully understand all the rights and responsibilities that go with signing these contracts.

Borrowers must also have an Executed Purchase and Sale Agreement or an Accepted Offer to Purchase Agreement in order to apply for MassHousing financing.

The Executed Purchase and Sale Agreement/Accepted Offer to Purchase Agreement

After settling on a price, your next step is obtaining either an Accepted Offer to Purchase or an Executed Purchase and Sale Agreement. These contracts should describe the complete transaction that will transpire between you and the seller, including the following:

- The price of the house on which you and the seller have agreed.
- A detailed legal description of the property (e.g., location, boundaries, etc.).
- A complete listing of what is included in the sale and what is not (e.g., appliances, fixtures, furniture, etc.).
- Key contingencies: These are clauses in the contract which state what must happen if you are to go through with the sale.

Important contingencies include:

1. Obtaining MassHousing financing.
2. A favorable property inspection report.
3. If applicable, the seller making certain repairs on the property.
4. Establishing an estimated date on which the loan will close.

These agreements should give you at least eight weeks to find a lender and go through the mortgage approval process. If you seek adequate time at the start, you may avoid requesting extensions later.

Making a Deposit

Once you sign one of the documents explained above, you probably will have to place a deposit (sometimes called "earnest money") on the house. This deposit is usually 5% to 10% of the purchase price, but the amount depends on the agreement you negotiate with the seller. If the sale goes through, the deposit generally goes toward the purchase of the property.

INSPECTING YOUR PROSPECTIVE HOME

After you sign an agreement and make a deposit, your next step is to have professional structural and pest inspections done on the property. Appearances can be deceiving, so it is crucial to have a professional evaluation of the house for your protection.

Remember that your right to have such a professional evaluation depends on including an appropriate inspection provision in the Accepted Offer to Purchase or Executed Purchase and Sale document.

You will find home inspectors listed in the Yellow Pages. Do some comparative shopping by calling several inspectors and asking how much experience they have and what they charge. Licensed contractors, engineers, and architects can also perform home inspections.

Once you have hired an inspector, accompany him or her around the property so that you can see what you are buying. Good structural and pest inspectors can uncover problems you did not notice. Deficiencies might include a leaky roof, a sinking foundation, or termite damage.

If the examination uncovers serious defects, and you have made the purchase contingent upon the outcome of the inspections, you can determine whether to reopen negotiations or withdraw from the agreement. However, if you decide not to go through with the sale, you must have a good reason.

If you want to go through with the sale and you meet all MassHousing eligibility requirements, you are ready to apply for financing from a MassHousing approved lender.

Dealing with Lead Paint

Under the state's lead paint law, sellers or real estate brokers are legally required to distribute to prospective homebuyers a notification package to inform them about lead poisoning. Because of the dangers associated with lead paint, MassHousing strongly urges you to have lead paint professionally abated (delead, covered, or removed) before moving into your new home, particularly if you expect to have young children under the age of six living there.

MassHousing requires lead paint abatement on the purchase of all two-to-four unit properties that are bank- or regulator-held and on its own two-to-four family REO properties. Financing may be available through MassHousing's "Get the Lead Out" Program, or the cost of lead paint abatement may be included in your mortgage loan.

You must comply with the lead law in Massachusetts when addressing lead hazards in your home. For additional information about health and legal issues, contact the Massachusetts Department of Public Health at 800.532.9571.

Title V

Massachusetts regulations require the inspection of septic systems at the time of sale or transfer of a property, or a change of building use that results in an increase sewage flow, or expansion. All systems for homes purchased with MassHousing financing must meet Department of Environmental Protection/Local Board of Health Requirements. Be sure to consult your lender and/or local Board of Health for complete details.

SUBMITTING YOUR MORTGAGE LOAN APPLICATION

A list of lenders participating in MassHousing programs is available from MassHousing. Locate a lender in the area where you are buying and call to set up an appointment.

The application and approval procedures are very similar to those for a conventional mortgage.

Questions to Ask Your Loan Officer

Here are some of the key questions you should ask the lender when you apply:

- Are you a participating MassHousing lender?
- How much is the application fee? Will the lender refund the fee or any portion of it, and, if so, under what conditions? (This fee pays for processing the loan.)
- What is the current rate for a MassHousing mortgage?
- Which credit bureaus will the lender use to check my credit history?

Questions the Loan Officer Will Ask You

Lenders will determine whether you qualify for a mortgage from MassHousing by asking major questions and requiring documentation to support your responses.

- **Do you meet MassHousing's income and mortgage loan guidelines?**

You can find the MassHousing Income and Mortgage Loan Limits on our website at MassHousing.com. These limits will vary by city and town.

- **Do you have sufficient assets to buy the home and close on the loan?**

You may be required to make a downpayment on your home and pay for closing costs which represent between 2% and 5% of the mortgage loan amount at the loan closing.

- **Can you afford a mortgage?**

To determine whether you can afford the mortgage, lenders will calculate your underwriting ratio. These are the ratios you calculated earlier in this brochure (page 2). Calculating these ratios can help you determine whether you meet MassHousing guidelines before you go to the lender.

- **Are you a good credit risk?**

The lender will also perform a complete check on your credit history to determine whether your credit record is satisfactory. To see if you have met your financial obligations in the past, lenders will request data from credit-reporting agencies or directly from grantors of credit (e.g., retail stores, VISA, MasterCard, landlords, etc.). Major retailers, credit card companies, and financial institutions supply the information, which indicates missed or late payments as well as any defaults on loans. The lender will want to know whether you have ever declared bankruptcy or have an outstanding court decision pending against you.

To save time and possible trouble, it is important for you to tell the lender immediately about any past credit problems. The law requires each of the three major credit reporting bureaus to provide you with one free credit report per year. You can access these at www.annualcreditreport.com. Checking your credit records in advance of going to the lender will allow you to correct any mistakes you find or prepare to explain any problems that appear in the records.

- **Is the property of sufficient value to grant you the loan?**

To judge whether the house is of sufficient value to support the loan, the bank will send an appraiser to assess the property's worth. For more information on this process, see the section "Appraising Your Prospective Property."



BACKUP TO YOUR MORTGAGE LOAN APPLICATION

As part of the application process, the loan officer will ask you to fill out a mortgage loan application, which requires six pieces of information including; name, social security number, income, property address, estimated value of property, loan amount. Once all of these items are collected by a lender, you have submitted a complete application. Then the lender will contact the appropriate parties, including your employer and your bank, to verify the information for accuracy.

When you apply for a mortgage, you should provide:

- Purchase and Sale Agreement executed by all parties.
- Numbers of each bank account where deposits are held, plus the name, address, and zip code of each depository and your most recent bank statement.
- All loans and credit account numbers, plus the name, address, and zip code of each creditor or lender.
- Year-to-date paystubs from your employer(s).
- Name and telephone number of a person whom the appraiser should contact to gain access to the property being purchased.
- Name and telephone number of the real estate broker (if any) involved in the transaction.
- Your own attorney's name and telephone number.
- A copy of your cancelled earnest money check, if available.
- Signed income tax returns for the last three years (required if you are a first-time homebuyer. A first time homebuyer is defined as someone who has not had an ownership interest in a principal residence within the past three years).
- Social Security numbers for each borrower.
- Name(s) and address(es) of your present employer(s) for each borrower: if employed less than two years, the name(s) and address(es) of previous employer(s) during the previous two year period.
- If you were a full-time student at any time during the past two years, be prepared to verify this.
- Photocopies of your stocks and bonds, if you use their value to qualify for the mortgage loan; if they are in the hands of your broker, provide the name and address of your broker plus your account number(s).
- Condominium buyers should try to obtain a copy of the condominium documents.
- An estimate of the annual property taxes and a reliable quote for insurance; condominium buyers should provide an estimate for the homeowner's association fee. If this fee includes heat or water costs, include that information.

The “Loan Estimate”

The law requires that within three business days of your application, the lender provide you with a “Loan Estimate” (or “LE”) of the costs you must pay to close the loan. These closing costs (see page 5) may include mortgage application and attorney fees, title insurance, filing and recording fees, private mortgage insurance, fire and hazard insurance, standard bank settlement costs, and points (fee for the bank’s originating, processing, and committing the loan). Each point represents 1% of the mortgage amount; on its loans, MassHousing allows a maximum of two points to be charged.

Appraising Your Prospective Property

In determining whether to grant you the mortgage loan, the bank will send an appraiser to estimate the value of the property. In arriving at a value, the appraiser will look at comparable sales in the neighborhood and at the condition of the house.

Remember, the bank’s appraisal is not a home inspection. The bank’s appraiser is only estimating the value of the home for purposes of the mortgage loan.

He or she will not check the systems and the structure of the house in the comprehensive manner that a home inspector should. So, it is wise to have your own professional inspection of the house done in addition to the bank’s independent appraisal.

What If Your Application Is Rejected?

If your application is not approved, you can ask your loan officer for an explanation. For example, there may be a mistake in your documentation which can be corrected, thus allowing the loan to go through.

If the problem is more complicated, get a clear understanding of what went wrong. Under the Equal Credit Opportunity Act (ECOA), the lender must send a notice stating the reasons for the rejections within 30 days of receipt of a complete application. You may also request a formal review of your mortgage loan denial from your lender.



GETTING A COMMITMENT FROM THE LENDER

If your application is approved, the lender will send you a commitment letter. In your commitment letter, the lender will agree to loan you a specified amount of mortgage funds. The letter should note the following:

- The loan amount.
- The term of the loan.
- The cost of the points. Lenders can charge no more than two points on MassHousing loans. For example, if you are charged two points for a \$100,000 MassHousing mortgage, you will pay \$2,000. Points are generally charged for the lender's originating, processing, and committing to the loan.
- The Annual Percentage Rate (APR): Typically, the APR consists of the bank origination fee when combined with the base interest rate and private insurance costs. This is the cost of credit that consumers pay, expressed as a simple annual percentage. According to the Federal Truth in Lending Act, every consumer loan agreement must disclose the APR in large bold type.
- A breakdown of the principal and interest, fire and hazard insurance, tax, and, if applicable, private mortgage insurance payments you will be charged in conjunction with the mortgage.

The lender usually gives you five to seven days to accept the terms of the loan. If you agree with the terms, you sign a copy of the commitment letter and return it to the lender along with the fee for points. The lender's commitment is usually binding for 30 days, during which time you are expected to close the transaction.

However, the commitment letter will generally also include a clause giving the lender the right to terminate the agreement and return the points you paid, should there be major changes in either your financial situation or the condition of the property within the 30-day period allotted to close the loan.

If there are no last-minute complications, you can move on to the closing. Three (3) days prior to closing, your lender will deliver to you a written "Closing Disclosure" (or "CD"). The CD shows all the financial details of your closing, including the closing costs and fees. This allows you to know how much money to bring to closing. Please note there could be changes or additional adjustments between you and the seller for fuel or water, etc. that may not be included on the CD.

CLOSING YOUR LOAN

Your loan has been approved. You have accepted the lender's commitment and received the final CD; now you are ready for the closing—the big day when you meet with the principal parties in the transaction to close the loan. At the closing, you will probably sit down with the seller, your respective attorneys, the real estate brokers, and the bank's attorney to sign the legal papers officially transferring ownership of the house from the seller to you, the buyer. You will also be expected to pay the balance of the downpayment and closing costs, which are explained on page 5.

Make sure that your Executed Purchase and Sale or Accepted Offer to Purchase agreement gives you the right to examine the property within 24 hours prior to the closing. This will give you a chance to ensure that the property has remained in acceptable condition.

You will need to bring to the closing:

- A certified check in the amount necessary to complete the closing. The correct sum should be provided to you in the CD three days prior to the closing by the attorney closing the loan for the lender.
- A homeowner insurance policy. Many lenders will not accept an insurance "binder" and require the actual policy in hand at the closing. Condominium units may require an "HO6" Policy paid in full at closing.

- Any other documentation needed to comply with the conditions of the commitment letter. If you have doubts, see an attorney. Even if you do not have doubts, we suggest you see an attorney. If all conditions are not fulfilled, your commitment may be invalid.
- The closing marks the end of the homebuying process. But what happens afterward? Let's look at the procedure for repaying the MassHousing mortgage loan and your responsibilities as a new homeowner.

HANDLING YOUR MONTHLY MORTGAGE PAYMENT

The mortgage document details your responsibilities as a homeowner, including making a monthly mortgage payment to MassHousing. We will send you a monthly mortgage statement prior to the date your mortgage payment is due. To keep your good credit record, you must pay on or before the due date. If payments are received after the due date, you may have to pay a late penalty.

If financial difficulties prevent you from meeting your payments on time, contact MassHousing immediately. If you let late payments pile up without explanation, MassHousing can sell the property in order to recover the money that was loaned. This is called foreclosure – a costly and time consuming process that you should avoid.

Remember, if you are in a financial bind, work with us to prevent the loss of your home.

A Breakdown of Your Monthly Mortgage Payment

Your monthly mortgage statement notes all the costs included in your monthly loan payment.

- Loan Amount
- Principal Due
- Interest Due
- Insurance Due
- Taxes Due
- Date Due
- Total Payment Due
- Late Penalty (if applicable).

Principal and Interest Balance

Each payment you make will reflect slightly more principal and slightly less interest than the payment before. However, the total dollar amount of your interest and principal payment will remain the same.

Your Escrow Account Balance

MassHousing requires that your monthly mortgage payment also include a deposit into your escrow account. This is a reserve of funds to pay for your real estate and insurance premiums when they are due. When you receive your tax and hazard insurance bills, send them immediately to MassHousing so that we can pay the bills when payment is due. Changes in the cost of taxes and insurance will cause changes in your total monthly mortgage payment, even though the principal and interest portion of your payment will not change.

Federal Recapture Provisions

Due to the way MassHousing mortgages are funded, you may have to pay a federal recapture tax if you sell your home within nine years. In those rare cases where recapture tax is required, MassHousing will reimburse borrowers for the full amount.

Prepayment

Prepayment means that you pay off the balance of your loan before the term is over. There is no prepayment penalty on a mortgage loan through MassHousing.

GLOSSARY

APR. Annual Percentage Rate. Typically, the APR consists of the bank origination fee when combined with the base interest rate and primary insurance costs. This is the cost of credit that consumers pay, expressed as a simple annual percentage. According to the federal Truth in Lending Act, every consumer loan agreement must disclose the APR in large bold type.

Application. A form which the lender uses to collect information about a prospective borrower and the property being used as collateral.

Appraisal. An evaluation of the property to determine its value for purposes of the mortgage loan. An appraisal is concerned chiefly with market value—what the home would sell for in the marketplace.

Appreciation. An increase in the value of your property.

Basis Point. 1/100th of one percent.

Binder. A payment or document making an agreement legally binding until the completion of a formal contract.

Building Code. Local or state building regulations which govern the design, construction, and materials used in the construction of a building.

Certificate of Title. Like a car title, this is the paper that signifies ownership of a home.

Closing Costs. Sometimes called settlement costs. Costs in addition to the price of the home, including mortgage service charges, title search and insurance, and transfer of ownership charges. Be sure your sales contract clearly states who will pay each of these costs—buyer or seller.

Closing Disclosure or "CD". As the result of a law change by the CFPB, after October 3, 2015, your lender must provide you with a written disclosure of the financial details of your closing, including the closing costs and fees, on a form called the "Closing Disclosure" or "CD". The CD also advises you how much money you need to bring to the closing and must be delivered to you three days before your scheduled closing.

Closing Day. The date on which the title for property passes from the seller to the buyer and/or the date on which the borrower signs the mortgage.

Condominium. Individual ownership of a dwelling unit and an undivided interest in the common area and facilities which serve the multi-unit project.

Deed. A legal document that transfers ownership of the property from one person to another.

Depreciation. A decline in the value of a home as the result of time, changes in the housing market, wear and tear, adverse changes in the neighborhood and its patterns, or for any other reason.

Downpayment. An initial payment on a home, usually a specific percentage of the home purchase price, that is required of a borrower at the time of the loan closing.

Earnest Money. The deposit money given to the seller by the potential buyer to show that he or she is serious about buying the home. If the deal goes through, the earnest money is usually applied against the downpayment. If the deal does not go through, it may be forfeited.

Easement Rights. A right of way granted to a person or company authorizing access to or over the owner's land. Electric companies often have easement rights across your property.

Equity. The difference between the market value of the home and the amount of money you still owe on it.

Escrow Funds. Money, or papers representing transactions, which are given to a third party to hold until all conditions in a contract are fulfilled.

Foreclosure. Action a bank takes on a mortgage, usually when the homeowner fails to pay the monthly mortgage payment.

Hazard Insurance. Insurance to protect against damages caused to property by fire, windstorm, and other common hazards.

Homeowner's Association Fee. In determining whether you can afford the property, the lender will calculate the homeowner's association fee as part of your housing-to-income ratio. Depending on the size of the building housing the condo units, and the types of amenities, this fee can range from approximately \$100 to \$300. The fee pays for common expenses, including insurance, maintenance, trash removal, and reserves for future major expenditures.

Home Mortgage Loan. A loan for buying a home.

Loan Estimate or "LE". As the result of a law change by the CFPB, after October 3, 2015, your lender must send to you a written estimate of your loan terms and the costs and fees for your loan closing within three days of your submission of a loan application on a form called the

"Loan Estimate" or "LE"

Mortgage Commitment. The written notice from the bank or other lender saying that it will advance you the mortgage funds in a specified amount to enable you to buy the home.

Mortgage Discount "Points." Discounts (points) are a one-time charge assessed by a lending institution to increase the yield from the mortgage loan to a competitive position with the yield from other types of investments. One point is equal to one percent of the amount of the mortgage loan.

Mortgagee. The bank or lender who loans the money to the mortgagor.

Mortgagor. The homeowner who is obligated to repay a mortgage loan on a property he or she has purchased.

Origination Fee. A fee or charge for the work involved in the preparation and processing of a proposed mortgage loan. This is usually paid at closing.

Prepaid Expenses. The initial deposit at time of the closing, for taxes and hazard insurance, and the subsequent monthly deposits made to the lender for that purpose. Expenses may also include an interest amount.

Repair and Maintenance. The costs incurred in replacing damaged items or maintaining household systems to prevent damage.

Special Assessment. A tax for a specific purpose such as providing paved streets or new sewers. People whose properties about the improved streets or tie into the new sewer system must pay the tax. Condominium owners may also be assessed for major repairs done in common areas of their building.

Title. The evidence of a person's legal right to possession of property, normally in the form of a deed.

Title Company. A company that specializes in insuring the title to the property.

Title Insurance. Special insurance which usually protects lenders against loss of their interest in property due to unforeseen occurrences that might be traced to legal flaws in previous ownerships. An owner can protect his or her interest by purchasing separate coverage.

Title Search or Examination. A check of the title records, generally at the local courthouse, to make sure you are buying the house from the legal owner and that there are no liens, overdue special assessments, or other claims or outstanding restrictions filed in the record.



Massachusetts Housing Finance Agency
One Beacon Street, Boston, MA 02108

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FAX: 617.854.1029 | www.masshousing.com

This brochure is also available in alternate formats, such as large print or audiocassettes. Such formats can be provided, if necessary, upon sufficient notice by contacting MassHousing's Consumer Hot Line at **888.627.7562** or videophone at **857.366.4157**.

MA Relay Number: 711

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