New Home Buyer's Guide

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Contents

Steps for making your dream come true

1. Shop for your new home: Determine location of your choice, visit numerous builders in various neighborhoods and talk to homeowners who have recently built in your favorite neighborhoods.

2. Get your pre-approval for mortgage: Call several mortgage companies.
   The mortgage company will help you determine how much you can afford. Pay attention to interest rates and lock in at a rate with which you are comfortable. Find out what other services are provided by the mortgage company.

3. Select your builder and new home: Understand the builder's mission and values.
   Learn the different construction techniques and what distinguishes one builder from another. Walk the different lots until you find the perfect one and identify the floor plan that best meets your needs. Know exactly what is standard in the home.

4. Finalize the purchase agreement with your builder: Have your salesperson explain a detailed time line of what to expect in the building process and learn the steps and become familiar with the process. Find out and understand the builder's warranty and what it covers. Determine the final sales price.

5. Choose interiors (e.g., carpet and cabinets) and exteriors (siding and brick) of your preference.

6. Construction of your new home: Attend all construction walk-throughs with your construction superintendent and ask question in areas where you are unfamiliar.

7. Prior to Closing: Purchase Homeowners Insurance and have a copy for closing. Bring picture identification and get certified check for closing costs (call the title company 2-3 days before closing for the exact amount needed. This check includes down payment and closing costs).

8. Close of your home

Mortgage payment calculator

How much house can you afford? In order to answer that question determine your gross monthly income from all sources. Then multiply that amount by 28% (.28) to determine an **approximate allowable monthly payment**. This payment includes principal, interest, taxes and insurance (PITI) and is the approximate amount for which you will qualify.

The chart below shows the principal and interest of this calculation. For taxes, call the tax appraiser for the county in which you plan to reside. For insurance, your agent can give you an estimate. The monthly amounts for taxes and insurance should then be added to the principal and interest payment.

Price of Home	**7.0%**	**7.5%**	**8.0%**	**8.5%**	**9.0%**
$50,000	333	350	367	384	402
$60,000	399	420	440	461	483
$70,000	466	489	514	538	563
$80,000	532	559	587	615	644
$90,000	599	629	660	692	724
$100,000	665	699	734	769	805
$110,000	732	770	807	846	885
$120,000	798	840	881	923	966
$130,000	865	910	954	1,000	1,046
$140,000	931	980	1,027	1,076	1,126
$150,000	998	1,050	1,101	1,153	1,207
$160,000	1,064	1,120	1,174	1,230	1,287
$170,000	1,131	1,190	1,247	1,307	1,368
$180,000	1,197	1,260	1,321	1,384	1,448
$190,000	1,246	1,330	1,394	1,461	1,529
$200,000	1,330	1,400	1,468	1,538	1,609

Mortgage qualification guide

To calculate the mortgage amount for which you qualify:

- Add monthly principal and interest payment
- Add monthly real estate taxes (call your assessors office)
- Add monthly insurance payment
- This will give you your Total Basic Monthly Cost (the "total basic monthly cost" generally must not exceed 28% of the gross monthly income).
- Add debts with remaining term of 10 months or more
- This will give you your Total Monthly Cost plus Debt (the "total monthly cost plus debt" must not exceed 36% of the gross monthly income).

Things you'll need for your loan application

- Social Security Numbers
- Residence Addresses for the past two years
- Names and addresses of each employer(s) for the past two years
- Two previous years' W-2's and current Year to Date pay stub
- Previous 3 months' checking and savings account statements
- Names, addresses, account numbers, balances and monthly payments on all open loans.
- Addresses of other real estate owned
- Loan information on other real estate owned
- Estimated value of furniture and personal property
- Certificate of eligibility or DD214's (V.A. only)
- Money or credit report for appraisal
- If self-employed, see your loan officer for requirements
- Final purchase agreement and listing sheet
- Copy of Driver's License (FHA only)
- Copy of divorce decree and bankruptcy papers if applicable

15 commonly used terms in the real estate market

Adjustable Rate Mortgage (ARM)

A mortgage with an interest rate that is adjusted periodically according to the terms of the mortgage agreement. The amount the interest rate changes is determined by the "index" in the contract and can vary by lender.

Annual Percentage Rate (APR)

The relationship of the total finance charges to the total amount being financed and expressed as a percentage. The finance charges can include interest, service charges, points, loan fees and mortgage insurance.

Closing

The final procedure when the documents are executed and/or recorded and the mortgage (if any) is recorded. This event is called a "settlement" in some areas.

Closing Costs

Expenses (beyond the selling price) which are paid when the sale documents are executed and/or recorded. These closing costs can include loan fee, title fees, etc.

Equity

The value of a property after existing liens have been satisfied

Escrow

The process by which a disinterested third party hold all instruments necessary to the sale (including funds and documents) until the deal is closed.

Fixed Rate Mortgage

A mortgage with a an interest rate that stays the same (fixed) for the life of the mortgage. Monthly payments for a fixed rate mortgage are very stable.

Commonly Used Terms In the Real Estate Market (continued)

Interest

The amount paid by the borrower for the use of borrowed funds, usually calculated as a percentage of the total amount due.

Origination Fee

A fee paid to the lender to process the loan paperwork

PITI

A lending term referring to the four major components of a normal monthly mortgage payment, Principal, Interest, Taxes and Insurance.

Principal

The amount of debt, not including interest, left on a loan; also the face amount of the mortgage.

Private Mortgage Insurance

An insurance policy the borrower buys to protect the lender from non-payment of the loan. PMI policies are usually required if you make a down payment that is below 20% of the appraised value of the home.

Title Insurance

An insurance policy which insures you against errors in the title search, essentially guaranteeing your and your lender's financial interest in the property.

VA Loan

A mortgage loan that is insured and guaranteed by the Veterans Administration. Available to military veterans and some active military personnel who meet certain criteria.

Warranty

A guarantee (often backed by an insurance policy) that the material and/or workmanship of the home or its systems are free of defects and able to fulfill their function.

Frequently asked questions about buying a new home

Q. How much will I need for a down payment?

A. It's probably less than you think. Many first-time home buyers are surprised to learn there's no set answer to this question. Generally, though, your down payment can be anywhere from three to twenty percent of the home's value. Down payments can be lower for some special, first time buyer loans. Veterans and people on active military service can obtain loans with no down payment at all.

Q. What does my mortgage payment include?

A. For most homeowners, the monthly mortgage payments include three separate parts: a payment on the principal of the loan (that is, the amount borrowed); a payment on the interest; and payments into a special account (called an escrow account) that your lender maintains to pay for things like your hazard insurance and property insurance and property taxes. These elements are called P.I.T.I (Principal Interest Taxes Insurance)

Q. How do I know which type of mortgage is best for me?

A. There isn't a single, simple answer to this question. The right type of mortgage for you depends on many different factors:
Your current financial picture
How you expect your finances to change
How long you intend to keep your house
How comfortable you are with your mortgage payment changing from time to time

Q. Do they really need to know everything about me for the application?

A. It may seem that way - but actually all your mortgage lender needs to know about you is your employment and finances, as well information about the home you're buying. Be sure to ask your mortgage lender what you will need to complete your loan application

Q. Exactly what is covered in the price?

A. Many of the things you loved may be "decorator" items. The built in bookshelves, the fancy window treatments and wallpaper may not even be available through the builder at all. Other things like the ceramic tile countertops, mirrored closet doors, extra-thick carpeting and intercom systems may only be available at an extra cost.

Natural gas -- The ideal energy

Not choosing natural gas can cost you more than just money. Everybody knows that clean natural gas saves you money and gives your home a better resale value. But what some people don't consider are the other benefits they sacrifice by not choosing gas.

For one thing, natural gas heat feels warmer -- for greater comfort. Without a natural gas range, you won't be able to enjoy the infinite temperature control professional chefs prefer. You'll also miss out on the hottest item in new homes -- a beautiful, romantic natural gas fireplace.

If you plan to have a workshop in your garage, a natural gas garage heater will allow you to use it year-round. Outdoor gas appliances like pool and spa heaters, outdoor lights and grills offer added convenience and value. Combine all that with the fact that after your mortgage, energy is your second highest monthly home cost, and you'll understand that your choice of energy for your new home is too important a decision to leave to chance.

Ask Your Builder for Natural Gas

Builders who understand what customers want, offer natural gas in their homes. For subdivisions inside Marion County, Citizens Gas does not charge the builder when we install the gas main and service line if natural gas is used as the sole heating fuel. So you do not have to pay more to have gas heating and water heating in your new home. Any additional charge for having natural gas appliances should reflect interior piping or equipment costs only.

A word about electric heat pumps. . .

- Some builder representatives may recommend electric heat pumps, but before you buy a home that has an electric heat pump, consider these facts:

- A heat pump delivers air that is between 90 and 95 degrees, which is below your body temperature, so it FEELS COOL. Heat from a natural gas furnace is WARM and COMFORTABLE because it is 115 to 130 degrees at the register.

- With an electric heat pump, you can't take advantage of the energy savings available with a set back thermostat, because a heat pump takes hours to bring the home's temperature back to the desired level.

Natural Gas -- The ideal energy (continued)

- An electric heat pump will not heat your home effectively when the outdoor temperature drops below 30 to 35 degrees. At that point it requires a backup heating system -- usually an electric resistance furnace -- and that gets EXPENSIVE.
- Because a heat pump tries to do both heating and cooling, it operates more hours during the year -- and won't last nearly as long as a gas furnace. In fact, gas furnace warranties are typically 20 years, compared to 5 years for most heat pumps.
- Heat pumps require greater air flow, which makes your home feel drafty.