




**BECOMING A  
HOMEOWNER**

Your Guide to  
Homeownership



**NEW HAMPSHIRE  
HOUSING**



[NHHomeownership.com](http://NHHomeownership.com)





# New Hampshire Housing

## Becoming a Homeowner

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Photos of New Hampshire homeowners who have worked with New Hampshire Housing appear throughout this publication. On this page from top: Dawn enjoys her porch in Stratham, Shannon loves her home in Alexandria, and a happy family enjoying their new home in Seabrook.

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# WHY BUY A HOME?

You might wonder why you should buy a house. What are the benefits of making such a large, long-term purchase now? Although becoming a homeowner means taking on more responsibilities, it also means more personal and financial payoffs and a home to call your own.



## **A Place to Call Home**

Buying a home allows you to establish roots in a community. It also gives you the freedom to truly make your house your own. Unlike a rental property you can paint, remodel, and make upgrades as you see fit. Your home can reflect your personal style.



## **Build Equity**

When you own a home, instead of your money going to a landlord, your payment goes back into your own pocket by building your home's equity. More equity means your home has more value. Making consistent mortgage payments can also build your financial health.



## **Lock in Your Housing Costs**

Rental costs often increase, but with a fixed-rate mortgage you can ensure that you pay the same monthly amount year after year.



## **Potential Tax Benefits**

As a homeowner there may be tax benefits that you wouldn't receive if you were renting. For example, you may be able to deduct your mortgage interest or property taxes. You may even qualify for a Homebuyer Tax Credit. More information about tax benefits and savings available to homeowners can be found on the IRS website, [www.IRS.gov](http://www.IRS.gov).

# STEP 1

## CHECH YOUR BUDGET

Budgeting your money is the first step in preparing for homeownership. Most people interested in purchasing a home need to save money for their downpayment, closing costs and other expenses associated with moving.

The following is a brief guide to developing a budget. Additionally, to help you, we have included an Income and Expense Worksheet in the Resources & Forms section of this booklet.

### Determine Your Income

Consider all sources of verifiable income available such as wages, social security and child support. Do not take unpredictable or inconsistent income into consideration when setting up your budget.

### List Your Expenses

Record the items you spend your money on and the amount needed for each one. It may be helpful to review your bank statements or make an expense list to help prompt you to include all periodic and miscellaneous areas where money is spent. Some examples beyond rent, food and utilities are: auto maintenance, pet expenses, personal spending, eating out, internet, commuting, prescriptions and childcare. It is also essential to include a regular amount in your budget for savings, student loans and car payments.

### Establish Financial Goals

Determine your financial goals and write them down. Estimate how much you need to save for each goal and the time frame you wish to do it in. Then break the "goal" amount down into how much you should save per month or pay period. List this amount as a monthly expense in your budget.

### Compare and Adjust

Your budget should balance, meaning your income should equal your expenses. A written budget includes all expenses you have listed and your financial savings goals. When expenses exceed income, adjustments must be made to either decrease spending or increase income. Money left over after expenses should be allocated toward savings or other goals in your budget, like the downpayment for your new home.

### Track Your Expenses

It is important to determine if your budget is accurate and workable. Track your spending for a period of one month. That means keeping a record of everything you spend including the money you carry in your wallet or pocket. This is a key part of the process even though it can be challenging.

### Reality Versus Budget

Now compare your actual spending to the amounts budgeted for each item. You may find it necessary to do some adjusting to your budget. Additionally, it may be necessary to make some changes to your spending habits if you really want to reach your financial goals.

## Monitor and Review

Once you finally have a working budget established, remember that you need to review it periodically. Every six months or once a year you should make sure it is up to date. Circumstances and financial goals change as our lives change. Maintaining your budget helps keep it an active tool in achieving your financial goals.

Remember, living within your means is the key to sound financial management. Your budget can help you establish a regular savings plan, determine what you can afford for a mortgage

payment and help you maintain your home once you purchase it.

If you are working toward homeownership and need help setting up a budget or dealing with credit issues, contact a HUD approved homeownership counseling agency. A HUD approved homeownership counseling agency can help you to understand the responsibility and process and buying a home. They can also assist you in creating a workable budget. To find the HUD approved homeownership counseling agency nearest you go to **hud.gov**.





# STEP 2

## REVIEW YOUR CREDIT

In order to approve your loan, your lender will request your credit report from one of the three credit reporting bureaus. From the credit report your lender will see how much money you owe, how you have paid your bills, and where you have applied for credit.

### What is Credit History?

Your credit history is a factual record of your payment history as reported by creditors. The information is compiled into a credit report that lenders use to determine your ability to pay back a loan. Your credit history gives the loan officer, or the person reviewing it, a snapshot in time as to your ability to make your loan commitments.

### What Kind of Information Does a Credit Report Contain?

**Identifying information** - A credit report includes your name, current and previous address, telephone number, Social Security number and reported variations, current and previous employers.

**Tradeline information** (credit accounts) - A credit report also includes the name of any institution that has granted you credit, date account opened, credit limit or loan amount, monthly payment amount, and payment pattern (on time and/or delinquent payment trends).

**Public record information** - Bankruptcy records; state, county, or federal tax liens; and overdue child support (varies by state).  
**Inquiries** - Name and date of companies that have obtained a copy of your credit history for application, account review, or collection purposes.

It is recommended that you review your credit report from each one of the credit reporting agencies (CRAs) at least once a year. The three national credit reporting agencies are Experian, Equifax, and TransUnion. These three CRAs generally do not share information about consumers, so it is best to review all three credit reports.

The accuracy of your credit report is your responsibility. If there is a discrepancy, the credit report will provide instructions on how to correct errors.

The **Fair and Accurate Credit Transactions Act (FACTA)** was created by the federal government to help you ensure the accuracy of your credit report. FACTA allows you to get one free credit report from each of the three credit reporting agencies per year. To help facilitate this, the three CRAs have collaborated to create one place for you to contact to request your free annual credit reports. To receive your free annual credit reports, call, write, or go online at:

**Annual Credit Report Request Service**  
**P. O. Box 105281 Atlanta, GA 30348-5281**  
**Phone: (877) 322-8228**  
**[annualcreditreport.com](http://annualcreditreport.com)**

## How Long Does Information Stay on My Credit Report?

**Tradeline information** - Stays on for seven years (delinquency, collection accounts, charge-offs, etc.) from first date of delinquency.

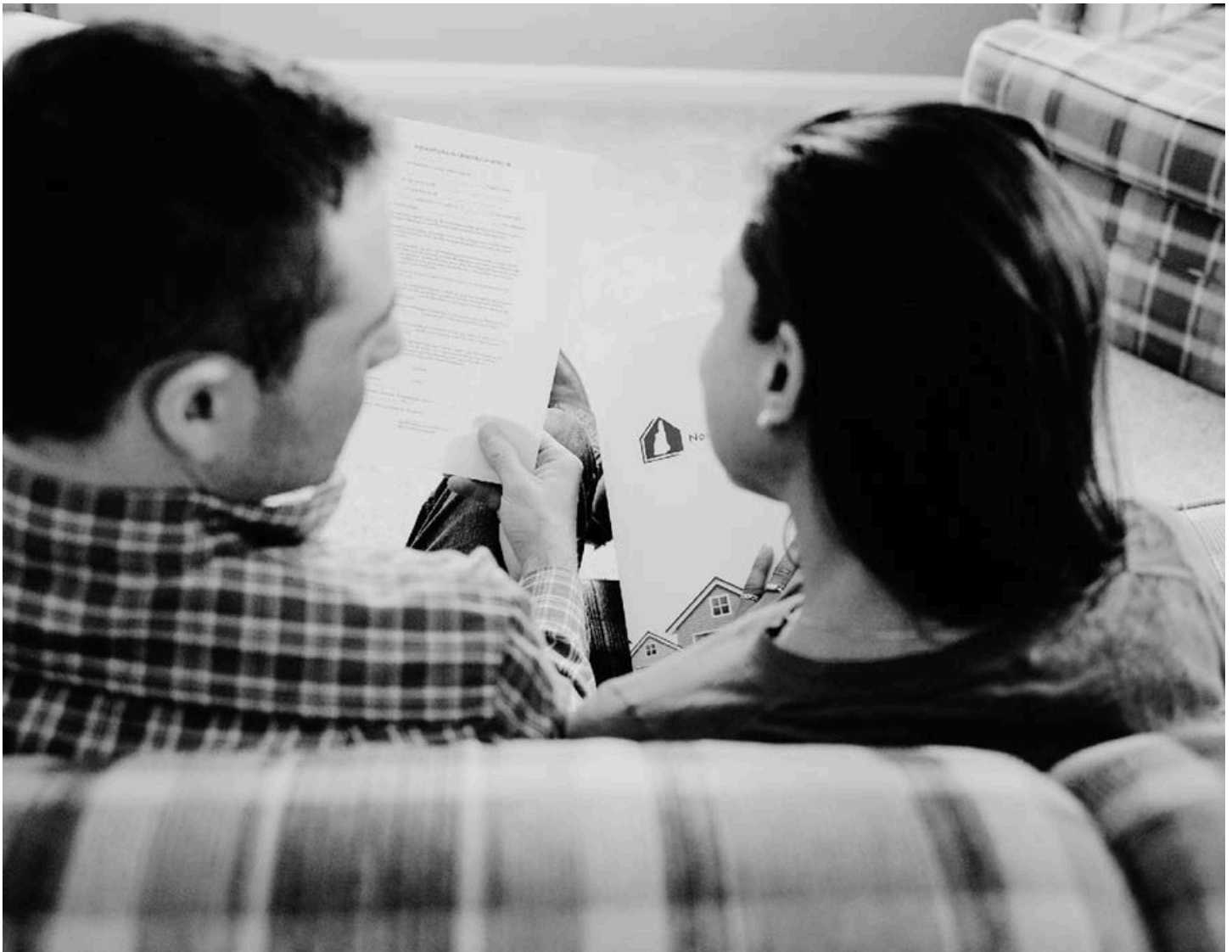
**Public records** - Chapter 13 Bankruptcy, judgements, and paid liens stay on your credit report for seven years from release date. Chapter 7, 11, or 12 Bankruptcy will be on your credit report for ten years.

**Inquiries** - Credit inquiries remain on your report for two years.

## What is a Credit Score?

In today's lending environment, lenders may access and use a credit score during the underwriting process. Scoring is a mathematical formula that is solely based upon credit information. Credit scores were created to quickly calculate the willingness of a customer to pay back a loan. The higher the score the better the borrower, and the lower the risk. The lower the score, the higher the risk of lending to that individual.

Credit scores can range anywhere from 300 to 850. Typically, a credit score less than 580 is considered impaired. A score around 680 is average. Any score over 700 is strong.



# STEP 3

## APPLYING FOR A MORTGAGE

Looking for the “right” mortgage product takes time and effort but it’s really no different from shopping for any other large purchase. Be a smart shopper! Getting a “yes” from a lender doesn’t always mean that the interest rate, term and type of mortgage are a good fit for your needs. You absolutely must take the time to understand mortgage terminology and mortgage options to make an educated choice. We have included a mortgage glossary at the end of this booklet to help you. Read it before you meet with your lender. If you do not understand the meaning of a word, ask your lender to explain it. You should read it before you meet with your lender and, if you do not understand the meaning of a word, ask your lender to explain it.

Once you understand the terminology, you will need to choose a lender. Talk with a number of different lenders. Shop around for interest rates, compare fees and remember to get all quotes in writing.

Banks, credit unions, mortgage companies, internet lenders and government agencies all have mortgage products available. How do you find the right lender for your needs? Ask your friends who own a home what lender they used and if they would recommend them. Consider using the bank where you currently have a checking/ savings account. Your real estate agent may also suggest lenders they have worked with.

Once you have narrowed your search down to at least three lenders, meet with them and ask them some specific questions about their institution and the programs they offer. On the following page you will find a checklist of questions to ask each potential lender. This checklist will help you to find the right lender for your situation.

Lenders that offer NH Housing programs can be found at **NHHomeownership.org**.

### Nationwide Mortgage Licensing System

You should be aware that in January of 2008 the Nationwide Mortgage Licensing System (NMLS) was created. NMLS was created by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR). It is a means by which a record of all non-depository financial servicing companies and mortgage loan officers are now licensed, registered and monitored. Professional standards to receive a NMLS number include criminal background and credit report checks, 20 hours of pre-licensing education and eight hours of annual continual education, and testing.

Your mortgage loan officer should have a NMLS number. As a consumer you can verify that your potential mortgage company or mortgage professional is authorized to conduct mortgage business in your state by accessing the NMLS public website at **nmlsconsumeraccess.org**.



# YOUR MORTGAGE OPTIONS

It may be helpful for you to understand some of the basic mortgage options you may run into when you start your search. Understanding the mortgage process is key to finding the right loan for your specific situation.

As home prices and interest rates rise and fall, different loan products become more or less attractive to the average homebuyer. Each loan product may have its own special benefit and/or disadvantage. Traditional mortgage products like the fixed rate and adjustable rate mortgages are typically suited to homeowners financing their first home. Before you choose to use any one mortgage product ask questions and understand the risks associated with each mortgage financing option.

## **Fixed-rate mortgages**

This is the most common and best suited loan product for most first-time homebuyers. A fixed rate loan has monthly principal and interest payments that will not change during the term of the loan. Loan terms are generally 10 to 30 years. As a borrower, you can count on making the same monthly payments year after year. Interest paid to the lender is generally tax deductible. Keep in mind that with a fixed rate loan your principal and interest payment will not change but taxes and insurance may increase.

## **Adjustable-rate mortgages(ARM)**

The second most common loan type is an adjustable rate mortgage (ARM), sometimes called a variable rate loan. With an ARM, the principal and interest payments change. The most common adjustable rate mortgages have changes every 12 months, 36 months, or 60 months. The interest rate changes are based on an industry index. If you choose an ARM, it is extremely important to understand which index will be used and how often the rate may change.

Generally, interest rate changes are limited to a maximum of two percentage points, up or down, at each change date and typically include a floor and possibly a ceiling.

Some of the newer ARMs adjust monthly. ARMs are attractive to first-time homebuyers because they offer a low introductory “teaser” rate. If you choose an ARM, keep in mind the rate may change, and you will need to budget for that increase in payment. Many people who take advantage of an ARM are using it for short-term financing. If you plan to be in your home for a long time, then an ARM may not be your best choice.

Other less favorable mortgage options you may come across in your mortgage financing research and education may include :

- Option ARMs
- Negative amortization loans
- Interest only mortgages
- Balloon payment loans
- Piggyback mortgages
- 40-year term mortgages
- Sub-prime loans

If you choose to finance your home with one of these less favorable loan mortgage products be aware of the risk and your responsibilities as the mortgagee. You will need to budget your money and your lifestyle to the responsibilities of these riskier types of loans. In other words, do your homework before you put your signature on a mortgage that you do not fully understand. If you have questions about the loan product you are getting, ask your lender questions. You are in control of the process and should not feel pressured into signing anything you do not fully understand.

# PREDATORY LENDING

While not as common anymore, you may have heard the term “predatory lending”. Predatory lending is a term used to describe lending practices that employ deceptive, misleading, unethical or abusive tactics when providing financing.

Predatory lenders often target the elderly, uneducated, immigrant, or low-income households. Predatory lenders usually make false or misleading claims to their customers, then push a loan on to their borrower with excessively high rates, large fees, and unrealistic terms.

While most lenders are reputable, there are predatory lenders in the market. Your lender has many financing programs available to fit different borrower needs. Specialized financing does exist for unusual circumstances and may require higher rates, pre-payment penalties or nontraditional terms. These practices alone do not constitute predatory lending. However, if your lender does not disclose these nuances to you, that may be considered predatory.

Be aware of the signs of a predatory loan by avoiding the following:

**Flipping** - Flipping is when a lender constantly recommends rolling over your loan into a new loan. Each time your loan is refinanced, higher fees and/or extended loan terms are rolled into the new loan, which reduces the equity in your home.

**Non-disclosure of mortgage terms** - Not disclosing” important loan nuances is a form of predatory lending. For example, a balloon mortgage is a loan with a large lump sum payment at the end. Balloon term loans are not necessarily bad. A predatory lender, however, will sell the unsuspecting customer on the low monthly payment common to balloon mortgages.

By not disclosing the full loan terms, the lender deceives the customer into financing on terms the customer may not be able to meet.

**Excessive interest rates and fees** - Charging excessive interest rates and up-front fees may be considered predatory. By comparing institutions’ interest rates and the Annual Percentage Rate (APR)s you can avoid being overcharged.

**Overextending credit** - Financing over the borrower’s ability to repay the loan, or to finance more than the house is worth may be predatory. Be cautious if the lender seems to be pushing more onto you than you feel comfortable paying for.

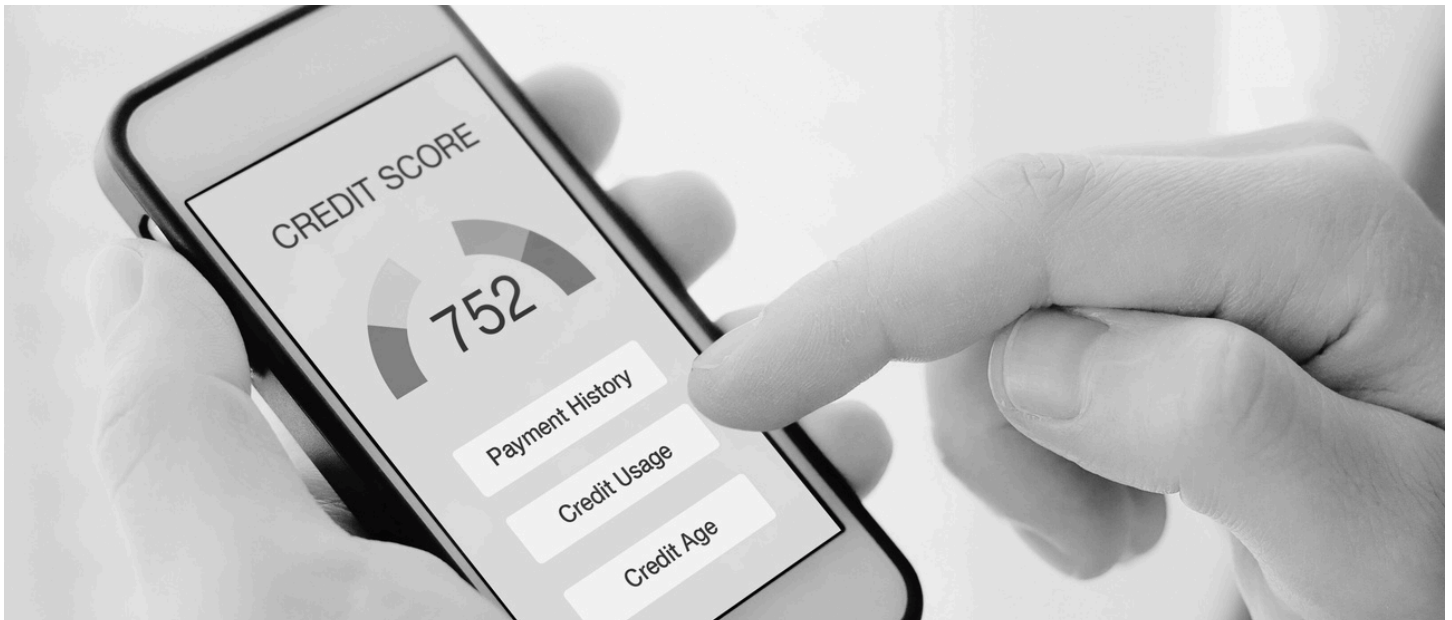
**Know your lender** - Feel free to ask questions. A good lender will be happy to take the time and answer your questions. If a deal sounds too good to be true, it usually is. If all you remember is one thing after reading this booklet, remember to **never sign a blank or incomplete document!** By researching and working with well-established lenders, you will get the right mortgage for you!

**What do you do if you feel that you may be a victim of a predatory lender?**

Buying a home is a big investment. If you feel that you have been a victim of predatory lending contact the New Hampshire Banking Department at (800) 437-5991 or visit them online at [www.nh.gov/banking](http://www.nh.gov/banking).

If you are looking for one-on-one counseling help with a complicated lending issue and you would like a housing counselor to assist you visit [HUD.gov](http://HUD.gov) or [HomeHelpNH.org](http://HomeHelpNH.org). The information and resources available at these two websites can help you find a housing counselor and the right solution for your housing situation.

# QUALIFYING FOR A MORTGAGE



The lender will review your application for what is called the **Five “C’s” of credit: Capital, Capacity, Character, Characteristics and Collateral**. The five “C’s” of credit are a very basic way of describing the process a lender goes through when approving a loan.

The Five “Cs” of credit are:

- **Capital** is your reserve cash such as checking, savings and 401k accounts. Lenders want to ensure that you have enough money for a down payment plus adequate money set aside to pay for unexpected costs.
- In reviewing your **Capacity**, the lender looks to see if you have satisfactory income and stability to make the mortgage payment. The lender will review your work history and existing debt to determine your ability to repay the loan.
- The third “C” is **Character**. A lender needs to ensure that you are of worthy character and will make good on your promise to pay back your mortgage loan. To do this, the lender reviews your character by reviewing your credit report, bank statements, and maybe even contacting your landlord. If you have limited credit history, the lender may also contact local stores or “buy here/pay here” businesses with whom you have open accounts.
- The fourth is **Characteristics**. These are the things that may make your loan unique or other considerations you may have when applying for your mortgage.
- The Final “C” is **Collateral**. The lender will order an appraisal on the property to assess the value of the Collateral. This third-party appraisal assures the bank that the value of the collateral is of a sufficient amount to pay off the loan should you default on the mortgage.

After approval, the lender should give you a commitment letter and discuss the terms and conditions of your loan.



# PRE-QUALIFIED VS PRE-APPROVAL

Now that your finances are in order and you have selected a lender, you're ready to see how much you can afford to spend on a house. Getting pre-qualified simply means your income and debt have been reviewed and you

have been given a rough mortgage amount that you can afford based on what you have told your lender. Keep in mind that when you get pre-qualified the lender has not verified income, credit references or ordered an appraisal on the house.

What you want to be is pre-approved. When a pre-approval is given, the lender will verify your income and credit and give you a letter stating the amount of money they are willing to loan to you. The lender may charge a fee to cover the cost of the credit report necessary for a pre-approval. If you end up financing the home through that lender, the credit report charge will be considered a pre-paid closing cost.

Soon after being pre-approved, your mortgage lender will mail you a "Loan Estimate" of closing costs. The Loan Estimate will list the fees that are to be included in your mortgage. Keep this paperwork handy so you can compare it with your final loan figures at closing (Closing Disclosure). Ask your lender to explain any fees or charges listed on your Loan Estimate that you do not understand.

By being pre-qualified or pre-approved you avoid sticker shock or the disappointment you get from looking at homes outside your price range.

Any lender, and some nonprofit housing groups, can pre-qualify you for a mortgage, and most will do it for free! When interviewing mortgage lenders, ask upfront if they charge for a pre-qualification.

## Mortgage Lender Interview Checklist

- What mortgage programs do you offer for homebuyers?**
- Do you offer fixed and variable rate mortgages? (A fixed rate stays the same for the life of the loan while a variable rate changes.)**
- What interest rate and mortgage term do I qualify for and what will my total monthly payment be, including property taxes and insurance?**
- How much will I need to put down and what are the total fees, points, and other charges I will be expected to pay?**
- If I am late on a payment, how much will my late fee be?**
- Are there any pre-payment penalties? What are they and for how many years will they be in effect?**
- Will I get a complete copy of all of my mortgage documents to review before closing?**
- After my mortgage is closed, will you service my mortgage or do you plan to sell it?**
- What if I have trouble keeping up with my mortgage payments?**
- Who do I call and will you work with me to correct the problem?**

# UNDERSTANDING MORTGAGE INSURANCE

If you put less than 20 percent down on the purchase of your property, you could be required to pay for mortgage insurance in addition to your mortgage payment.

Mortgage insurance, (sometimes called private primary mortgage insurance, private mortgage insurance, or PMI) protects the lender in the event that you default on the loan. The premium is typically added to your monthly mortgage payment as part of your principal, interest, taxes, and insurance (PITI). The less you put down, the higher the monthly premium. Conversely, the more you put down, the lower the premium.

If your loan requires mortgage insurance, generally, you can remove the insurance in two ways:

- First, you can request the insurance be removed when you feel that your equity in the home has reached 20 percent of the original value.
- The second way PMI can be removed is by paying down your loan.

Depending on the type of mortgage insurance you have, once you have reached 22 percent equity in your home, based on the original value, the lender typically removes the insurance. You must be current on your loan and in good standing with the lender for them to remove PMI from your loan. Be sure to ask your lender before you close about restrictions or exceptions to removing mortgage insurance this way. Some loan products may require mortgage insurance for the life of the loan.

Lenders offer affordable options to help reduce the initial cost of mortgage insurance and its impact on your monthly payment. These options may include any of the following.

## Conventional Mortgage Insurance Options:

- **Lender paid mortgage insurance** - Mortgage insurance companies give a discounted rate for lender paid mortgage insurance. The lender pays the entire amount up-front and passes the cost on to the borrower through a higher interest rate.
- **Financed/borrower paid mortgage insurance** A one-time private primary mortgage insurance premium is added to the amount of the first mortgage, resulting in a slightly higher mortgage payment but still a considerable cost savings over making the mortgage insurance payments separately.

**Government insurance** - Federal mortgage insurance programs may offer lower down payments than conventional mortgage products. Here are a few government insurance programs you should ask about:

- **Federal Housing Administration (FHA)** - A federal agency within the Department of Housing and Urban Development (HUD) that provides mortgage insurance for residential mortgages and sets standards for construction and mortgage underwriting.
- **Veterans Administration (VA)** - A federal agency that, among other things, helps eligible veterans purchase housing at an affordable interest rate and term. While VA does not require mortgage insurance, they do charge a funding fee that acts similar.
- **USDA-Rural Development (USDA-RD)** - A federal agency that offers 100 percent financing to very low to moderate income individuals who are purchasing, building, or improving homes in rural areas.

# STEP 4

## CHOOSE A REAL ESTATE AGENT

When you're ready to look for a home, choosing a real estate agent is a very important step. To make a good decision, you must have realistic expectations about the size of the home, location and type of home you want, and be aware of the different roles a real estate professional can play in your home search.

### Assess Your Needs

A good real estate agent will help narrow down your choices when you first start looking at properties. As a first-time homebuyer, you will want to look at as many homes as possible. Take notes and pictures, and ask questions.

### Choose a Real Estate Professional

Ask your friends who they worked with when purchasing their home. Agency referrals are a good way to narrow the list of real estate professionals. Consider an agent who is a member of the New Hampshire Association of REALTORS® ([www.nhar.com](http://www.nhar.com)). Members pride themselves on adhering to a strict code of ethics and responsibility to the consumer. When you find a real estate agent, give them as much information about your housing needs as possible.

**Disclosure of agency relationship** - Once you begin working with a real estate professional, they will give you a number of disclosures that they are legally obligated to provide. If you do not understand the disclosures, ask the agent to explain them. One of the first things the real estate professional must disclose to you is the Disclosure of Agency Relationship In Real Estate Brokerage. This tells you who the real estate agent is working for.

### Assessing Your Needs

Use the checklist below to help identify the features in a home that are most important to you and your family.

	NEED	WANT	NEUTRAL
Near transportation	_____	_____	_____
Near schools	_____	_____	_____
Near shopping	_____	_____	_____
Near family	_____	_____	_____
<b># Bedrooms</b>			
Two	_____	_____	_____
Three	_____	_____	_____
Four	_____	_____	_____
<b># Bathrooms</b>			
One full	_____	_____	_____
½ bath	_____	_____	_____
Two full	_____	_____	_____
<b>Basement</b>			
Full	_____	_____	_____
Partial	_____	_____	_____
Finished	_____	_____	_____
<b>Landscaping</b>	_____	_____	_____
<b>Fenced yard</b>	_____	_____	_____
<b>Garage</b>	_____	_____	_____
<b>Dinning room</b>	_____	_____	_____
<b>Eat-in kitchen</b>	_____	_____	_____
<b>Appliances</b>			
Refrigerator	_____	_____	_____
Stove/Oven	_____	_____	_____
Washer/Dryer	_____	_____	_____
Dishwasher	_____	_____	_____
<b>Other:</b> _____	_____	_____	_____
<b>Other:</b> _____	_____	_____	_____
<b>Other:</b> _____	_____	_____	_____



## Types of Agency Relationship

**Seller Agency** - When the real estate agent is a Seller's Agent, they represent the seller's interest. They are working to get the seller the best possible price for the sale of the property. Information, like your financial position, may be conveyed to the seller and could negatively influence your position in negotiating the purchase price.

**Buyer Agency** - A real estate professional acting as a Buyer's Agent represents you in the real estate transaction. You hire the real estate agent for a certain time period for a fee, which is negotiated in the *Exclusive Buyer Agency Agreement*. They will assist you in locating a property and in negotiating the purchase of that property. Their loyalty is with you, the buyer. They cannot discuss anything with the seller that may adversely affect your negotiation of the purchase of a property. If you break the *Exclusive Buyer Agency Agreement* prior to the expiration date on the contract, you may still be responsible for paying the real estate agent's fee.

**Sub-Agency** - In a Sub-Agency relationship, the real estate professional acts as an agent for another real estate person or agency. The real estate agent working in a Sub-Agency relationship must represent the client's best interest whether that client is the seller or you, the buyer.

**Disclosed Dual Agency** - This happens when an agency is representing both sides of the real estate transaction, the seller's and the buyer's interest. If this happens, the real estate agent must immediately notify both parties and disclose Dual Agency. If the seller and the buyer agree to proceed with the negotiations, the real estate agent may continue with the transaction. However, the real estate agent must remain a neutral party throughout the transaction. Undisclosed Dual Agency is illegal.

**Designated Agency** - A designated agent is a licensee who represents one party of a real estate transaction and who owes that party client-level services, whether or not the other party to the same transaction is represented by another individual licensee associated with the same brokerage firm.

**Facilitator** - A facilitator is an individual licensee who assists one or more parties during all or a portion of a real estate transaction without being an agent or advocate for the interests of any party to such transaction. A facilitator can perform ministerial acts, such as showing property, preparing and conveying offers, and providing information and administrative assistance, and other customer-level services (as described on the NH Real Estate Commission's Brokerage Relationship Disclosure Form). This relationship may change to an agency relationship by entering into a written contract for representation, prior to the preparation of an offer.

# STEP 5

## MAKE AN OFFER

Buying a home may be the largest single purchase you will ever make. You and the seller will be entering into a series of legally binding contracts, such as a Purchase & Sales Agreement. The potential pitfalls you may encounter when purchasing a home can be staggering.

Misunderstandings about contractual liabilities and ownership issues can quickly turn your homebuying experience into a financial disaster. The safest and most cost-effective course you can take to protect your investment is to seek qualified professionals to guide you through the process. Below are a few points to consider when making an offer.

### What do I need to consider when making an offer on a home?

As a homebuyer, you will need to understand your contractual liabilities and obligations when making an offer on a home. You should pay particular attention to the terms and conditions written in the Purchase & Sales Agreement. By signing a Purchase & Sales Agreement, you are entering into a legally binding contract. If you do not live up to your part of the agreement, you may forfeit part or all of your good faith deposit and could be subject to additional financial costs. No verbal agreements or unwritten offers to purchase or sell real estate are binding in the state of New Hampshire; only a written contract can be enforced.

### What is the Purchase & Sales Agreement (P&S)?

A Purchase and Sales Agreement (P&S) is a written offer explaining your terms and conditions for purchasing a property. The P&S spells out a basic description of the property, the terms and conditions of the sale, and a projected date or time frame for the closing.

Typically, the real estate agent will offer a standard P&S form to which any special conditions may be added (e.g. specific kitchen

appliances you want included in the purchase price). It is highly recommended that a contingency for a satisfactory home inspection be included. Neither party should enter into a P&S without being absolutely certain they understand and agree to its contents. Remember that no “understanding” or agreement is enforceable unless it is written into the P&S.

As the buyer, you should review the language in the proposed P&S carefully and take the time to discuss any questions with your own agent and/or a lawyer. When the P&S is acceptable, sign it and return the contract with a deposit. The seller will also sign the P&S to accept your offer, at which point the contract becomes legally enforceable.

The financing condition listed in the P&S usually specifies the buyer’s acceptable mortgage interest range and type of mortgage. A specific date or a time frame for the closing should be included. Failure to meet this date or time frame is considered a serious enough violation to breach the contract, especially if the P&S specifically spells out that “time is of the essence.” As the buyer, be aware that any breach of contract could lead to your forfeiture of the deposit.

# STEP 6

## ORDER YOUR HOME INSPECTION

Your offer to purchase a home should always be contingent on a satisfactory home inspection. Even if a home inspection is not required by the lender, it is always advisable to have one done. The standard P&S provides that if the inspection uncovers any “significant” defects that were not previously disclosed to you, you may cancel the P&S. This may also give you an opportunity to negotiate new terms with the seller. If major repairs are needed, ask the seller to reduce the price of the home. That way you can fix the problem to your satisfaction. Keep in mind that any such negotiated settlement must be in writing and made part of the P&S. A good home inspection will identify any issues or problems with the property and can provide you with helpful information about future maintenance needs.

Reliable home inspectors are usually those who practice the profession as their full-time occupation and belong to a professional organization, such as the National Association of Building Inspection Engineers (NABIE) or the American Society of Home Inspectors (ASHI). Most homes will need some repair. If your inspector finds that an overwhelming number of repairs are needed or that the repairs are major items like wiring or a furnace, you might want to negotiate these items with the seller or look for a home that requires fewer repairs.

A good home inspection is a critical part of the home buying experience. Find a home inspector early in the process and develop a relationship with him/her before you need an actual inspection. You may be able to save hundreds of dollars in inspection and testing fees by learning about the inspection process and how to eliminate the obvious bad apples!

### ASK THE INSPECTOR FOR REFERENCES

**and don't be afraid to call the references to verify that they are legitimate, satisfied customers. Here are some other things to ask your home inspector:**

- Do they carry errors and omissions insurance? Errors and omissions insurance protects the home inspector, and ultimately you, in the event that the home inspector misses a serious defect during their inspection. E&O insurance is not required by New Hampshire law.
- Will they provide you with a detailed written report or a checklist-style report?
- Will the report provide an overall opinion of the property as compared to others of similar age and construction type?
- Is an inspection for wood-destroying insects included as part of their standard inspection?
- How will they inspect the roof? From the ground or on a ladder?
- Does the inspection include an evaluation of the interior condition of the chimneys and/or fireplaces? (This is not required by New Hampshire Law.)
- Will they prioritize needed repairs and create a maintenance and repair plan to help you take care of your home?
- Does the inspection include testing the well and/or septic system?
- Does the inspection include testing for radon air, water or lead testing?

Article courtesy of Team Engineering. [www.myteamengineering.com](http://www.myteamengineering.com)



# STEP 7

## COMPLETE YOUR LOAN APPLICATION

Once you and the seller have both agreed to the terms and conditions of the Purchase and Sales Agreement (P&S) and have both signed it, the P&S becomes a legally binding contract. In that contract, you will be given a specific time frame to obtain financing. If you fail to meet the time condition for financing on the P&S, you may forfeit your deposit. If you were pre-qualified before you signed the P&S, then you are ahead of the game. However, you still have to complete your loan application.

### **The following is a list of items you should bring with you when you meet with your lender to complete your loan application:**

- Social security number of each person applying for the loan
- Copies of your checking and savings account statements for the past six months
- Evidence of any other assets such as 401k accounts, mutual funds, stocks and bonds
- Your most current paycheck stub detailing your earnings
- A list of all credit card accounts and the approximate balances and monthly amounts owed on each
- A list of account numbers and balances due on outstanding loans, such as car loans, student loans, etc.
- Complete copies of your last two years income tax returns, including all W-2 information
- The name and address of your employer as well as the name and phone number of a person there who can verify your employment and income
- Your drivers license or other state-issue photo ID

# STEP 8

## CLOSE YOUR LOAN

Once your offer has been accepted by the seller and the bank has issued final approval on your loan, you are ready to close the loan. Here are a few answers to common questions that may arise during the closing process.

### What is “title to real estate”?

The sale of real estate is completed with the transfer of title to the buyer. In New Hampshire, title may be conveyed by one of three types of deeds: warranty, quitclaim, or fiduciary.

With a **warranty deed**, the seller guarantees that he/she owns the property, is lawfully conveying it, and that there are no defects in the title (ownership) not stated. The seller stands behind the title and agrees to make good on any proven title defect. This is the seller’s “warranty.” This is the most common form of conveyance and gives the buyer the most protection.

With a **quitclaim deed**, the seller represents only that he/she did nothing to impair the title and is conveying nothing more than the title that the seller actually has. The buyer has no “warranty” or guarantee of title. If the property is purchased at foreclosure or tax sale, it is highly likely that the seller will only give the buyer a quitclaim, foreclosure or tax deed. If so, the buyer takes the property with all existing defects and problems, in other words “as is.”

In a **fiduciary deed**, an executor of an estate or some other “fiduciary” makes the conveyance. Here the seller acts merely in a representative capacity and makes no personal guarantees.

### What is a title search?

If you intend to mortgage the property, the lender will require that you pay for a title search. The lender does this to ensure that the title is sufficiently clear before lending money to you and using the real estate as collateral.

The purpose of the title search is to uncover any prior mortgages, attachments, liens, unpaid taxes, easements or rights of way, restrictive covenants or other encumbrances filed in municipal records or the Registry of Deeds that affect the title.

Certain title defects (such as a title restriction that prevents using the property as a home business) do not affect the lender’s mortgage but might affect your intended use of the property. Any title defector encumbrance that cannot be corrected prior to closing would be grounds for you to be released from the P&S and to have your deposit returned.





## What is title insurance?

Many lenders now require you to purchase Title Insurance as part of the mortgage process. Title Insurance protects the lender against losses that result from defects in the title to the property. At the time of closing, you will be given the opportunity to purchase an owner's copy of the Title Insurance policy at a discounted rate. If you choose not to purchase the owner's policy, your ownership and investment in the property could be at risk if a title problem surfaces. Title Insurance is a one-time premium paid at closing.

## What happens at the closing?

At the closing, title (ownership) of the property passes from the seller to the buyer. The closing often takes place at the lending institution providing the mortgage financing or the County Registry of Deeds. The seller receives their money from the lender and/or the buyer, the buyer receives a deed to the property, and the lender secures its loan to the buyer with a mortgage.

As the buyer, you should expect to pay typical closing fees and lender's expenses. These fees may include: the lender's attorney fees, transfer tax (split with the seller), recording fees, escrowed taxes, homeowners insurance, and any points or fees that the lender charges to issue the loan. Closing fees will also vary depending on what day of the month you close. Most borrowers try to close at the end of the month to limit the amount of odd days interest they will have to pay at closing. Odd days interest is interest you pay to bring your monthly mortgage payment current to the first of the following month.

# STEP 9

## WHAT'S NEXT?

Congratulations, you're a homeowner! You are now realizing the dream! The pressure and anticipation of the homebuying process is now in the past and you can look forward to years of enjoyment in your new home.

### **Things you need to do as a new homeowner.**

In all the excitement, it's easy to forget to take steps to protect your investment and keep your family safe. Here are a few simple suggestions:

- The day you move in, change the locks on all doors.
- Cut back shrubs that hide windows and doors.
- Install outside motion detection lighting.
- Check the smoke detectors and install new batteries.
- Write up a list of emergency phone numbers and post it in a handy location.
- Install fire extinguishers in the kitchen and garage.
- Install a security camera
- Buy a first-aid kit and place it in a convenient location.
- Open a safe deposit box or purchase a fireproof safe to store important documents like insurance paperwork, warranties and loan documents.
- Take pictures or a video of the interior of your home with all of your belongings in place, and store it in your safe deposit box.
- Install timers on interior lights so they turn on and off when you are not at home.
- When you go away on vacation, have your neighbor pick up your mail or have the post office hold it until you return.



# Home Maintenance

Most people find taking care of their own home is relaxing and rewarding work. If your home inspector provided you with a maintenance plan when you purchased your home, use it as a checklist for your regular maintenance. Repairing small items as they occur can help prevent big repair bills. A well-maintained home will be more fun for you and your family to live in, and it will retain its value and attraction to buyers if you wish to sell in the future. Here are some important maintenance areas to consider.

## In the Yard:

- Keep foundation shrubbery cut back so that branches are at least two feet from the house, and keep tree branches 10 feet away.
- Maintain proper drainage away from the house, around the foundation, walkways, and driveway.
- In the fall, mark the driveway, paths and landscaping to make winter snow removal easier.
- Be sure that paths for oil, gas and electricity providers are kept clear.

## On the Roof:

- Keep the roof clear of organic matter like leaves and moss.
- Clean out the gutters in spring and fall, and more often if needed.
- If you don't have gutters, consider installing them in critical locations such as over entry stoops, decks and garage doors.
- Have your roof condition evaluated regularly by a qualified and unbiased professional.

## Exterior of the House:

- Wash the entire exterior at least once each year; more often if you live in a dusty or urban area.
- Stain decks and porches annually.
- Paint or stain siding and trim before it looks like it needs it.
- Paint window trim and bulkheads, and varnish wood thresholds.

## Interior of the House:

- Check the operation of all windows and doors, and clean and lubricate as needed.
- Make sure that items stored in the attic aren't blocking air circulation.
- Use a flashlight to check basement walls and floors for seepage and to inspect visible pipes under sinks and in the basement for leaks.
- Take swift action at the first evidence of ants/rodents/termites and other unwanted pests.
- Store bird seed/animal food in metal containers.

## Utilities:

- Have the heating system inspected and serviced annually (oil) or every six months (gas or propane), or as recommended by the manufacturer.
- Have well water tested every year, and maintain any water filters or softeners as the manufacturer instructs.
- Protect your septic system. Don't flush foreign objects or put grease down the drains, and avoid using chlorine bleach in the laundry. Pump your septic tank bi-annually.

# Your Mortgage Responsibility

## What happens if I miss a mortgage payment?

If your mortgage payment is late, you will most likely get a call or a letter from your lender's collections department. If your late payment is more than 30 days delinquent, your lender may report you to the credit bureau for a delinquent payment. If your mortgage payment continues to be late and passes the 90 day mark, your lender may foreclose on your home. **Foreclosure** is the legal means that your lender can use to repossess (take back) your home. The **Mortgage Note** and **Deed** that you signed at closing will spell out all conditions and terms that you are subject to in the event of a late payment or foreclosure.

When a foreclosure happens, you must move out of your house. If your property is worth less than the total amount you owe on your mortgage loan, your lender could seek a deficiency judgment. If that happens, you will lose your home and may still owe your lender additional debt.

Foreclosure or a deficiency judgment could seriously affect your ability to qualify for credit in the future. **You should avoid missing mortgage payments if at all possible.**

## What should I do if I fall behind on my mortgage payments?

Do not ignore letters or calls from your lender. If you are having problems making your payments, contact your mortgage servicer immediately. Explain your situation. Be prepared to provide them with financial information, such as your monthly income and expenses. Without this information, they may not be able to help. Your mortgage servicer does not want to take your home. They may be able to offer loss mitigation option to help you get back on track.

## Beware of Scams

If you fall behind on your mortgage beware of scams trying to steal your equity or charge you excessive fees for something you can do for free. When facing foreclosure the reality can be overwhelming. Don't fall for scams! If someone is promising something to you that sounds too good to be true, it probably is a scam. For safe, free post-purchase counseling and help, seek out a free **HUD Approved Counseling Agency**.

## HUD Approved Counseling Agencies

If you fall behind on your mortgage payments, another resource that is available to you is a free **HUD Approved Counseling Agency**.

A HUD Approved Counseling Agency may be able to guide you through your current financial situation and provide recommendations and solutions. They may also be able to assist you in speaking with your lender, understanding loss mitigation documents or help you to find an affordable housing solution.

You can find a HUD Approved Housing Counseling Agency by going to [HUD.gov](http://HUD.gov).

# BECOMING A LANDLORD

Are you thinking about buying a multifamily (two to four units) home and becoming a landlord? A rental unit attached to your home can be a rewarding experience and it can help you realize the dream of homeownership. If you buy a multi-family home, then your rental property will become your home as well as your business. Owning a multifamily is a responsibility that you need to understand and be ready for.

Becoming a landlord takes a lot of time and energy but also has its advantages. A rental property might be the only way you can afford to own a home. Rental income can help make your monthly mortgage payments more manageable and give you money to help with property maintenance. In addition, you will be able to deduct interest and property taxes on your federal income tax return and may be eligible for additional tax advantages as a landlord.

Becoming a landlord may not be the right choice for everyone. But if you're willing to tackle the responsibility of a landlord/tenant relationship, purchasing a property with rental units may be the right choice for you.

## **Before purchasing a multifamily property, consider the following:**

- Are you able to take on a new business and learn how to manage a rental property?
- Are you willing to share your home with others?
- Can you afford to make necessary repairs, often with little notice?
- Are you ready to be on-call 24 hours a day?
- Can you take the time to become familiar with state, local and federal laws regarding landlord/tenant rights?
- Are you ready to deal with difficult tenants?
- Can you make your mortgage payment regardless of whether the apartment is rented?



# RESOURCES

## About New Hampshire Housing

New Hampshire Housing helps qualified individuals reach their dream of homeownership by offering below-market mortgage rates, low downpayment requirements and cash assistance for downpayment and closing costs.

To apply for a New Hampshire Housing mortgage, contact one of our approved participating lenders. New Hampshire Housing offers several mortgage products to help first-time homebuyers.

### Single Family Mortgage Programs

- 30-year fixed rate mortgages
- Affordable interest rates
- Low downpayment requirements
- Statewide network of Participating Lenders
- Purchase and refinance available

### Cash Assistance Option

Provides downpayment and closing cost assistance to help individuals and families purchase their home.

### Purchase Rehab

Provides up to \$75,000 for repairs related to safety and livability of the home at the time of purchase.

New Hampshire Housing loans can be combined with programs such as: Federal Housing Administration (FHA), Veteran Administration (VA), Rural Development (USDA-RD), and private mortgage insurance companies (Conventional).

Visit [NHHomeownership.org](http://NHHomeownership.org) for information



## Providers of Homebuyer Education

### AHEAD

262 Cottage Street, Level 1  
Littleton, NH 03561  
Phone:(603) 444-1377  
[homesahead.org](http://homesahead.org)

### HOMEdteam

801 Elm Street, Second Floor  
Manchester, NH 03101  
Phone:(603) 626-4663  
[HOMEdteamNH.org](http://HOMEdteamNH.org)

### The Housing Partnership

P.O. Box 127  
Portsmouth, NH 03802  
Phone: (603) 431-3620  
[housingpartnership.org](http://housingpartnership.org)

### New Hampshire Housing

P.O. Box 5087  
Manchester, NH 03108  
Phone: (800) 649-0470  
Phone: (603) 472-8623  
[NHHomeownership.org](http://NHHomeownership.org)

## Other New Hampshire Resources

### New Hampshire Legal Assistance

117 North State Street  
Concord, NH 03301  
Phone: (800) 562-3174  
[nhla.org](http://nhla.org)

### 603 Legal Aid

93 North State Street, Suite 200  
Concord, NH 03301  
Phone: (800) 639-5290  
[603legalaids.org](http://603legalaids.org)

### New Hampshire Community Loan Fund

7 Wall Street  
Concord, NH 03301  
Phone:(603) 224-6669  
[Communityloanfund.org](http://Communityloanfund.org)



## Energy-Efficiency Resources

Whether you are a first-time homebuyer or an existing homeowner, lowering energy bills and saving money by improving the energy efficiency of your home should be a top priority. Given the high cost of heating and electricity we see here in New England, homeowners should take advantage of every energy savings incentive available.

There may be a number of opportunities available to you as a homeowner to help you reduce costs and save money. These may include programs available to assist in energy audits, weatherization, rebates and tax credits for the purchase of energy efficient appliances.

Bookmark these websites and check them often for the most up-to-date opportunities available to save money and reduce costs!

**energystar.gov** – This website will help you understand the importance of choosing cost saving Energy Star products. It will also help you discover ENERGY STAR rebates and gives excellent energy saving tips.

**nhsaves.com** –nhsaves.com is New Hampshire's energy solutions website designed to provide you with resources to save money on energy bills.

## Other Useful Websites

Get your free annual credit report online  
**annualcreditreport.com**

### Equifax Credit

Credit reporting agency.  
**equifax.com**

### Experian

Credit reporting agency.  
**experian.com**

## Habitat for Humanity International

Habitat for Humanity International brings families and communities together with volunteers and resources to build decent, affordable housing.

**habitat.org**

### 995HOPE

Provides free foreclosure and loss mitigation counseling to help homeowners avoid foreclosure.

**995hope.org**

## Mortgage Bankers Association of America

Great source of information about the mortgage application process. Good mortgage payment calculator.

**mbaa.org**

## National Foundation of Credit Counseling

Credit counseling assistance and information resources.

**nfcc.org**

## New Hampshire Association of Realtors®

**nhar.com**

## New Hampshire Bar Association

Information on how to find a lawyer in New Hampshire.

**nhbar.org**

## New Hampshire Housing

Information for first-time homebuyers about obtaining mortgage loans.

**NHHomeownership.org**

## New Hampshire State Government

Great online source for information about the state of New Hampshire!

**nh.gov**

## Prime MLS

Up-to-date listings of properties for sale throughout New England.

**primemls.com**

**Opt-Out Website**

Allows you to opt-out of having your name sold to companies for unsolicited credit and insurance offers through the mail.

**optoutprescreen.com**

**Trans Union**

Credit reporting agency.

**transunion.com**

**U.S. Department of Agriculture-Rural Development**

Information about the rural development agencies of the U.S. Department of Agriculture as well as information on Rural Development housing programs.

**rd.usda.gov**

**U.S. Department of Housing and Urban Development (HUD)**

Information on all HUD and Federal Housing Administration programs, as well as information on home ownership centers and counseling locations.

**hud.gov**

**Veterans Benefits Administration**

Information about veterans benefits such as VA insurance and home loans.

**benefits.va.gov**

**Important Contacts**

Property Address: \_\_\_\_\_

Seller(s): \_\_\_\_\_

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

**Loan Officer**

Company Name: \_\_\_\_\_

Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

**Real Estate Agent**

Company Name: \_\_\_\_\_

Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

**Home Inspector**

Company Name: \_\_\_\_\_

Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

**Appraiser**

Company Name: \_\_\_\_\_

Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

**Title Company/Attorney**

Company Name: \_\_\_\_\_

Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

**Insurance Company**

Company Name: \_\_\_\_\_

Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

# INCOME AND EXPENSE WORKSHEET

<u>Income</u>	<u>Weekly</u>	<u>Monthly</u>
Income		
Spouse / Partner Income		
Alimony / Child Support		
Dividends / Interest		
Other		
<b>Total Income</b>		

<u>Assets</u>	<u>Value</u>
Checking	
Savings	
401k / Retirement	
Investment / Home	
Other	
<b>Total Assets</b>	

<u>Expenses</u>	<u>Weekly</u>	<u>Monthly</u>
Auto/Fuel		
Auto Insurance		
Auto Maintenance		
Auto Registration		
Child Support		
Clothing		
Education		
Electricity		
Entertainment		
Gifts		
Groceries		
Heat		
Household items		
Medical Insurance		
Mortgage Payment		
Paid Subscriptions		
Pet Food		
Pet Care		
Property Taxes		

<u>Expenses (continued)</u>	<u>Weekly</u>	<u>Monthly</u>
Rent Payments		
Savings		
School Lunch		
School Supplies		
School Tuition		
Sewer		
Taxes		
Telephone		
Vacation		
Water		
Work Lunch		
Other		
Other		
Other		
Other		
Other		
Other		
Other		
<b>Total Expenses</b>		

<u>Creditors/Loans</u>	<u>Payment</u>	<u>Balance</u>
<b>Total Payments/ Debt</b> \$		\$

<u>Balance You Budget</u>	
Total Income	
(-) Monthly Expenses	
(-) Monthly Debt	
Surplus /Deficit	

<u>Determine Your Net Worth</u>	
Total Assets	
Minus: Total Debt	
Net Worth	



PO Box 5087, Manchester, NH 03108

603.472.8623 | 800.640.7239

TDD: 603.472.2089

ownershipinfo@nhhfa.org

**NHHomeownership.org**



New Hampshire Housing promotes, finances, and supports housing solutions for the people of New Hampshire.