

**Beware of aggressive sales techniques!**

**Don't be forced into quick decisions – even if you're told you will lose the deal if you don't act fast.**

**Never sign blank documents or anything you do not understand.**

**Advertisements that say "No credit? No problem!" or "Why pay rent when you can own your own home?" are often bad deals.**

**Keep copies of all your documents.**

To download all of the brochures in this series, log on to [www.appleseeds.net](http://www.appleseeds.net)

**Helpful Information:**

**Federal Trade Commission**

Consumer help line: 1-877-382-4357.  
Identity theft line: 1-877-438-4338.

**Fannie Mae Foundation**

Free guides on credit and home loans.  
Call toll free: 1-800-611-9566.  
Español: 1-800-782-2729.  
[www.homebuyingguide.com](http://www.homebuyingguide.com)

**Housing and Urban Development**

Free advice on home buying.  
Call toll free: 1-800-569-4287.  
[www.hud.gov](http://www.hud.gov) or [www.espanol.hud.gov](http://www.espanol.hud.gov)

**Online Consumer Help:**

**Federal Reserve Bank**

Brochures on credit, finances, and how to buy a car or home.  
[www.federalreserve.gov/consumers.htm](http://www.federalreserve.gov/consumers.htm)

**My Money**

Financial education materials from U.S. government agencies.  
Call toll free: 1-888-MYMONEY (696-6639).  
[www.mymoney.gov](http://www.mymoney.gov)  
[www.mymoney.gov/Espanol](http://www.mymoney.gov/Espanol)

Call the Attorney General's office in your state if you believe that a provider of goods and services has treated you unfairly.

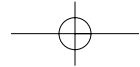


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# How to Buy a Home



**BANK ON YOUR FUTURE**



## You can own a home.

Before you start looking for a home, take a home buying class offered in your community. Call the Housing and Urban Development number on the back of this brochure for classes in your area. Also, check your credit history so that you can clear up problems before you apply for a loan.

Even if you do not plan to buy a home right away, taking a home-buying class will help you set goals and plan for the future.

## What should I shop for first, a house or a loan?

Shop for a loan first. If you shop for a house first, you will be pressured to get a loan quickly and you could end up paying too much for the loan.

Compare the offers of several lenders. Interest rates and fees are not fixed! You do not have to use the lender recommended by your realtor.

Lenders will review your credit history, such as your accounts, credit card debt, and other loans. The interest rate on your home loan will be lower if you have a history of on-time loan and bill payments.

Lenders must give you a good faith estimate, which includes the interest rate and an estimate of all the money you will have to pay to get the loan.

You do not have to pay a high interest rate to borrow money just because you have never used credit before. You can show good credit with a history of paying rent and bills on time.

## Do I need a social security number to get a home loan?

Some lenders do not require a social security number or proof of immigration status. To avoid scams aimed at recent immigrants, ask a local community organization for the name of a reputable lender. Protect your investment. Consider establishing legal “power of attorney” so that someone you trust can make decisions about your home if you leave the country.

## How much cash do I need to buy a home?

Some loans require you to pay 20% of the value of the home in cash – the “down payment” – in addition to other closing costs, such as loan fees, property taxes, and homeowner’s insurance. There now are options that require down payments as low as 3% and some special programs to help with closing costs.

**Be careful of low or no down payment offers from people selling homes, including manufactured and mobile homes. These loans often come with high fees and high interest rates.**

## Can I afford the payments?

Lenders approve loans you may not be able to afford. Be sure YOU think you can afford the payments.

**Your total monthly payment** – including your loan payment, property taxes, home insurance and, if necessary, mortgage insurance (PMI) – should be no more than one-third of your monthly income.

**A fixed-rate mortgage** – a home loan where the interest rate stays the same for the entire loan term – helps you plan because your monthly loan payments will always be the same.

**With an adjustable rate mortgage,** the interest rate moves up or down depending on the market rate. Be sure you can afford payments at the highest possible interest rate.

**A manufactured or mobile home** may be more expensive than it first appears and will lose value with time. Don’t forget to include land purchase or rental, insurance, installation, and the cost of transporting the home if the park closes.

## Home Loans to Avoid:

**High points and fees.** Points – money paid to lower the interest rate – and fees should not total more than 3% of your loan amount or 4% for FHA or VA loans.

**Balloon payments.** Do not agree to a loan where, after several years of manageable monthly payments, you have to repay the remainder of the loan in one large balloon payment. If you can’t afford the last payment, you could lose your home!

**Rent-to-own.** These offers are rarely a good idea. They cost a lot, and the seller could take away your right to buy the property and still keep your down payment.

**Owner financing.** If the seller is also the lender, make sure the seller has good title to the property. Get help before you pay money or sign any papers!

**Prepayment penalties.** These are high and unnecessary fees charged for paying off your loan.

**Single payment credit insurance.** You don’t need to buy credit life or disability insurance. Never pay insurance fees up front or add the fees into your loan.