



Report Compliments of **Homes and Lifestyles of Colorado** - *Finding Your Place Called Home*

Denver Office: <http://www.DenverHomeLiving.com> - (303) 816-9199 Office



## Tips On Buying a Home

*The U.S. Department of Housing and Urban Development (HUD) provides information on a full range of housing topics including renting, buying, selling, and home improvements at <http://www.hud.gov/>.*

*Links to other information on housing are available at <http://www.pueblo.gsa.gov/>. If you believe you are being discriminated against in your search for a home on the basis of your race, color, nationality, religion, sex, familial status, or disability, contact HUD's Office of Fair Housing at 1-800-669-9777.*

**Buying a home is one of the most complex financial decisions you'll ever make.**

- **Consider hiring a buyer-broker** who works for you not the seller. Real estate agents represent the seller not the buyer.
- **Get prices on other homes.** Knowing the price of other homes in a neighborhood will help you avoid paying too much.
- **Have the property inspected.** Use a licensed home inspector to carefully inspect the property before agreeing to buy it.

### **When shopping for a home mortgage:**

- **Research current interest rates.** Check the real estate section of your local newspaper, use the Internet, or call at least six lenders for information.
- **Check the rates for 30-year, 20-year and 15-year mortgages.** You may be able to save thousands of dollars in interest charges by getting the shortest-term mortgage you can afford.
- **Ask for details on the same loan amount, loan term, and type of loan from multiple lenders** so that you can compare the information. Be sure to get the Annual Percentage Rate (APR) which takes into account not only the interest rate but also points, broker fees, and other credit charges expressed as a yearly rate.
- **Ask whether the rate is fixed or adjustable.** The interest rate on adjustable rate mortgage loans (ARMs) can vary a great deal over the lifetime of the mortgage. An increase of several percentage points might raise payments by hundreds of dollars per month.
- **If a loan has an adjustable rate, ask when and how the rate and loan payment could change.**
- **Find out how much down payment is required.** Some lenders require 20 percent of the home's purchase price as a down payment. But many lenders now offer loans that require less. In these cases, you may be required to purchase private mortgage insurance (PMI) to protect the lender if you fall behind on payments.
- **If PMI is required, ask what the total cost of the insurance will be.** How much will the monthly mortgage payment be when the PMI premium is added and how long you will be required to carry PMI?
- **Ask if you can pay off the loan early and if there is a penalty for doing so.**

### **RESPA**

The Real Estate Settlement Procedures Act (RESPA) requires lenders to give you information on all closing costs and escrow account practices. Any business relationships between the lender and closing service providers or other parties to the transaction must also be disclosed. Many of the fees are negotiable. More information is available from the Federal Trade Commission, the Federal Reserve Board, and the Department of Housing and Urban Development.

For more information on home buying and mortgages, visit Fannie Mae's web site at <http://www.fanniemae.com/> or call 202-752-7000. The Mortgage Bankers Association also offers

## **Mortgage Refinancing**

Consider refinancing your mortgage if you can get a rate that is at least one percentage point lower than your existing mortgage rate and if you plan to keep the new mortgage for several years. When comparing mortgages, don't forget to include the extra fees you must pay for the new mortgage. You may be able to get some fees waived if you are able to refinance with your current mortgage holder.

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