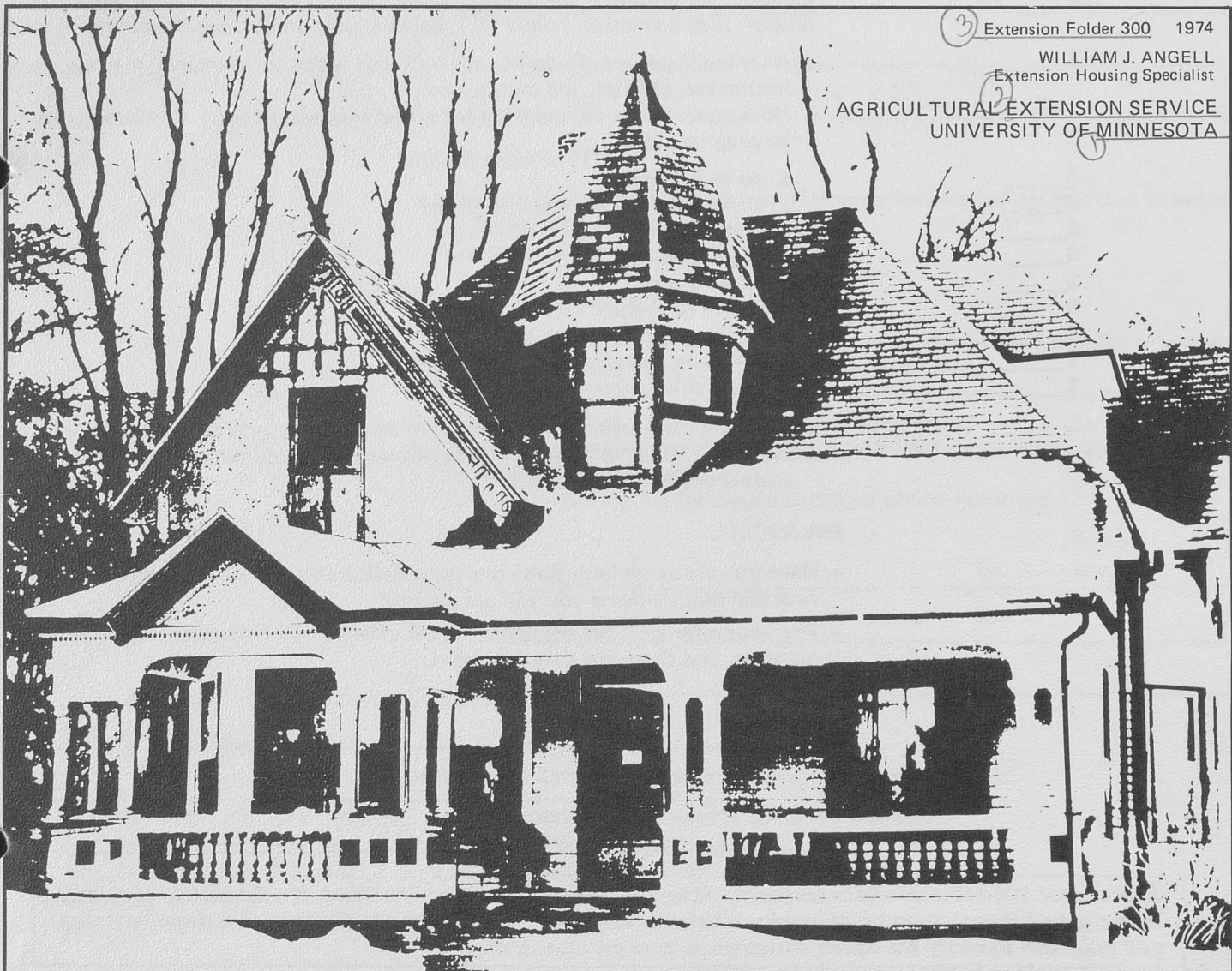


300 MN 2000 EF 300 c 2

UNIVERSITY OF MINNESOTA
DOCUMENTS
MAY 21 1974
ST. PAUL PUBLIC LIBRARY
COPY 2

SELECTING A PREOWNED HOUSE

2 obtaining financing and professional assistance



3 Extension Folder 300 1974

WILLIAM J. ANGELL
Extension Housing Specialist

2 AGRICULTURAL EXTENSION SERVICE
UNIVERSITY OF MINNESOTA
1

This leaflet provides a systematic method of selecting a preowned house. It has been developed to supplement Extension Folder 299, *Selection Guide for Preowned Houses: Part 1*. Therefore, you will want to read thoroughly that publication before using this leaflet.

The following checklist outlines items you should weigh carefully before looking seriously at houses. These items include: defining what you can afford to spend for initial and monthly costs, comparing sources and types of financing, and evaluating the assistance

available from attorneys, appraisers, home inspectors, and real estate agents. After completing this checklist, you will have a better idea of what you can afford to spend and where you can get reliable answers to your questions as they arise.

Answer each question carefully. If a question does not apply directly to your specific situation, proceed to the next item. If you answer any of the starred questions *NO* *, do not proceed until you carefully re-evaluate the situation (question).

ANSWERS (circle)

ITEMS (consider)

GENERAL

yes no *
 yes no *
 yes no *
 yes no *

- Have you carefully considered the advantages and disadvantages of buying a preowned house?
 - Have you given considerable thought to the type of house your family needs?
 - Do you realize that buying a house is only one way a family attempts to obtain a desirable lifestyle?
- Have you determined how much you can comfortably afford to spend for a house? (See Extension Folder 267, *Balancing Your Housing Needs and Resources*.)

\$ _____

- How much per month do you feel you can spend for principal, interest, taxes, insurances, utilities, and maintenance?
- How much have you budgeted for initial and related costs associated with buying, including:
 - ▶ down payment?
 - ▶ closing and initial financing costs?
 - ▶ attorney's fee?
 - ▶ inspection fee?
 - ▶ moving costs?
 - ▶ utility deposits?
 - ▶ cleaning and repairing the house?
 - ▶ furniture and equipment expenses?
 - ▶ costs of buying another automobile?
- What are total estimated initial and related costs? (add above items)
- Will you be able to maintain sufficient savings and investments to protect against costly emergencies?

\$ _____
 \$ _____
 \$ _____
 \$ _____
 \$ _____
 \$ _____
 \$ _____
 \$ _____
 \$ _____
 \$ _____

\$ _____
 yes no *

FINANCIAL

yes no

- Have you visited at least three mortgage officers to gain an understanding of financial requirements you will encounter?
- For your reference, list the names of the officers you have seen, their phone numbers, and the firms they represent.

<i>Name</i>	<i>Lending Institution</i>	<i>Phone</i>
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____

Realize that interest rates and other mortgage terms frequently change. Therefore, if a substantial period of time elapses between your initial inquiry with a mortgage officer and when you finish negotiating on a house, you may wish to verify the earlier answers.

Lender 1

yes no *

Conventional	FHA	VA
___%	___%	___%
___%	___%	___%
___yrs	___yrs	___yrs
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___

Lender 2

yes no *

Conventional	FHA	VA
___%	___%	___%
___%	___%	___%
___yrs	___yrs	___yrs
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___

Lender 3

yes no *

Conventional	FHA	VA
___%	___%	___%
___%	___%	___%
___yrs	___yrs	___yrs
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___
\$ ___	\$ ___	\$ ___

- Now you are ready to compare the types of financing available.
- Does the lender feel that your estimate of the down payment, proposed monthly payments, and allowance for initial and related costs are realistic?
- Are the following types of financing available? If so, complete the questions listed after each type.
 - Minimum down payment required?
 - Interest rate?
 - Maximum length in years?
 - Approximate mortgage amount you can borrow if you have:
 - a minimum down payment for the maximum number of years?
 - a higher down payment (of say 25 percent) for the maximum number of years?
 - Approximate monthly income the lender will expect you to earn if you borrow the maximum amount possible and make:
 - a minimum down payment for the maximum number of years?
 - a higher down payment (of say 25 percent) for the maximum number of years?

Note: Policies may vary between lenders.

Include any additional information that is given. _____

- Which of the following closing costs will you, as the buyer, be expected to pay for this type of financing?
 - initial mortgage insurance fee (conventional-insured)
 - points (for FHA [HUD] and VA)
 - loan application, origination, or processing fee
 - bank's attorney fee
 - bank's, FHA (HUD), or VA appraisal
 - title examination and insurance (for the bank)
 - other (specify) _____
 - TOTAL

Lender 1			Lender 2			Lender 3		
Conv.	FHA	VA	Conv.	FHA	VA	Conv.	FHA	VA
yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no
yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no
yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no
yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no
yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no
yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no	yes no

- Will the terms of the mortgage include:
 - an open-end provision that permits you to borrow more money in the future at the same interest rate?
 - prepayment of the mortgage without penalty? (Note: useful when you sell the home.)
 - an assumption provision where a future buyer can assume the mortgage and, thus, release you from liability?
- Will the lender require:
 - prepayment of property taxes?
 - prepayment of property insurance?
 - any other items? (list) _____

Sometimes a buyer will find other sources of available financing including:

1. Minnesota Housing Finance Agency—loans available through many commercial lenders for low- and moderate-income buyers.
2. Credit Unions.
3. Insurance Companies—loans available through mortgage companies, local agents, or bankers.
4. Farmers Home Administration—loans available from county offices to low- and moderate-income buyers who cannot obtain comparable financing from other sources and live in rural areas or small towns with populations under 10,000.
5. Federal Land Bank—loans available to families in rural areas and small towns with populations under 2,500.

If you are interested in sources of financing similar to these, evaluate the terms according to the same items outlined for conventional, FHA (HUD), or VA mortgages. If the mortgage market is restrictive, you may also wish to consider assuming a seller's mortgage or buying on a contract for deed. For more information, see an attorney or real estate agent.

ANSWERS (circle)

yes no

ITEMS (consider)

LEGAL COUNSEL

- Have you contacted at least three attorneys who are knowledgeable about real estate transactions?
- For your reference, list the names of the attorneys you have seen and their phone numbers.

Name

Phone

1. _____
2. _____
3. _____

Att. 1 Att. 2 Att. 3

yes	no	yes	no	yes	no
yes	no	yes	no	yes	no
yes	no	yes	no	yes	no
yes	no	yes	no	yes	no
yes	no	yes	no	yes	no
yes	no	yes	no	yes	no
yes	no	yes	no	yes	no
\$		\$		\$	

- Compare the abilities, services, and costs of real estate attorneys. Will the attorney:
 - Review or draft earnest money contracts?
 - Review or draft the purchase agreement?
 - Examine the title?
 - Advise on joint tenancy, tenants in common, and other methods of ownership?
 - Represent you at the closing?
 - Advise on tax matters associated with the sale?
 - Other (list) _____
 - How much will the attorney charge for his services?

APPRAISER

yes	no
yes	no

- Have you asked your lender about FHA or VA appraisals?
- Have you contacted at least three independent real estate appraisers as recommended by your mortgage officer?
- For your reference, list the appraisers you have contacted, phone numbers, and fees.

<i>Name</i>	<i>Phone</i>	<i>Fee</i>
1. _____		
2. _____		
3. _____		

HOME INSPECTOR

yes	no
\$	_____

- Have you contacted a private home inspector or another professional to evaluate the structural condition of the house?
- How much will the inspector charge?

REAL ESTATE AGENT

yes	no
yes	no
yes	no

- Do you realize that it is often desirable for the house seeker to inform several real estate agents that he or she is looking for a house?
- Do you realize that about one-fourth of the houses sold are done so without an agent and, thus, you may also wish to seek houses "for sale by owner?"
- Have you contacted several real estate agents who were recommended by your mortgage officer or attorney?
- For your reference, list the agents and their phone numbers.

<i>Name</i>	<i>Phone</i>
1. _____	
2. _____	
3. _____	

Agent 1 Agent 2 Agent 3

yes	no	yes	no	yes	no
yes	no	yes	no	yes	no
yes	no	yes	no	yes	no
yes	no*	yes	no*	yes	no*
yes	no*	yes	no*	yes	no*

- Have you looked for agents with the following qualities:
 - in business full time serving buyers and sellers?
 - experienced in the art of selling?
 - exceptional ability to get along with people?
 - a reputation of unquestionable integrity?
 - knowledgeable about the community and specializes in listing houses similar to those you are interested in?

UNIVERSITY OF MINNESOTA



3 1951 D01 928 585 M