



Committed to the future of rural communities

Home Buyers Handbook



Researched and Assembled by:

Brunilda Piña-Noble and Vicki Chaney

Rural Development Technicians

Culpeper, VA 22701

Spanish Version Translated by:

Brunilda (Brunie) Piña-Noble

Rural Development Technician

Culpeper, VA 22701

Revised by:

James Reid, SFH Housing Program Director, Richmond Office

Elizabeth A. Walker, Area Director, Harrisonburg Area Office

Phyllis Leonard, SFH Specialist, Richmond Office

Brenda Johnston, SFH Specialist, Richmond Office

Table of Contents

Subject	Page
Are you Ready to Buy?	1
Advantages of Homeownership	1
Responsibilities of Homeownership	1
Budgeting	2
Overview: The Home Buying Process	2
Pre-Qualifying	3
Loan Eligibility	3
Certificate of Eligibility	4
Dwelling Requirements	5
Site Requirements	5
Parties in the Home Purchase Transaction	6
Getting a Contract	6
Construction	7
Home Inspection	7
Appraisal	8
Funding Commitment	8
Survey	8
Adequacy Certification for Existing Properties	9
Hazard Insurance / Escrow Account	9
Final Walk Through Inspection	9
Mortgage Title Insurance	9
Closing	10
Pre-Construction Conference	10
You and Your Home	
Post Closing and Maintenance	12
Avoiding Foreclosure	12
What You Can and Should Do To Save Your Home	13
Things to Remember to Avoid Foreclosure	13
Taking Care of Your New Home	13
Getting To Know Your Home	13
Fall /Winter	14
Spring /Summer	14
Frequently Asked Questions (FAQs)	15
Glossary of Mortgage Terms	16
Ten Basics Rules of Money Management	20
Are You An Overspender?	21
Contact Information	23

Are You Ready To Buy?

Before you begin preparing for the homebuying process, you should decide if you are ready to buy.

Advantages of Home Ownership

There are many good reasons for buying a home, provided you are ready for the increased responsibility of homeownership.

A Place of Your Own

A home is a place to call your own. It allows you to settle down, and it helps you to become part of the community.

Sound investment

Buying a home can be one of the best investments you can make.

Tax benefits

Most homeowners realize significant tax benefits from homeownership.

Responsibilities of Home Ownership

When you sign the loan documents (note and deed of trust) you are agreeing to certain terms related to repayment of the loan and property maintenance.

Pay Back the Loan

You will be required to make monthly payments on the day determined by Rural Development. If you do not make your mortgage payments, you could be in jeopardy of:

- Losing your home through foreclosure
- Lose the equity in your home
- Damaging your credit rating and the ability to be approved for future credit

Maintain Sufficient Hazard Insurance and Pay Property Taxes

The hazard insurance premium and real estate property taxes will be added into your monthly payment (escrow account). Our Centralized Service Center (CSC) will pay your insurance and tax bills from your escrow account when they become due. However, you are responsible for notifying them if you receive hazard insurance or real estate property tax bills by calling **1-800-414-1226**. Be aware that a property tax re-assessment or a higher insurance premium will increase your monthly payment.

Maintain the Property

As a homeowner you are responsible for the maintenance, repairs and routine upkeep. You should budget an amount for annual maintenance.

Budgeting

Once you have decided that you want to buy a home, the next step is to determine how much house you can afford. A simple monthly budget is the foundation for your financial success. This is the most important aspect of buying a home. There are three important reasons why a budget is so critical in building/purchasing a home:

- Determining the amount of the loan you can afford.
- Determining if you can afford the extra expenses related to homeownership.
- Planning to save money for the down payment on your home, as well as develop good saving habits for other future financial goals, such as retirement, or college tuition for your children.

Overview: The Home Buying Process

- Start with a budget.
- Pre-qualification.
- Submit your mortgage application to your local Rural Development office.
- Interview and receive a Certificate of Eligibility.
- Review Home Buyer Education trainers and areas where classes are held.
- Real Estate Agent. House hunting.
- Sign Sales Contract.
- Sign up for a Homebuyer Education Class.
- Property inspection by Rural Development.
- Appraisal.
- Loan approval. Review the mortgage commitment, sign it and return the form to the local Rural Development office.
- Closing Agent Selection.
- Title Examination.
- Discuss Tax and Hazard Insurance.
- Rural Development will work with your real estate agent and closing agent to obtain all closing conditions of the commitment to expedite the loan closing.
- Notification of loan closing.
- Provide Rural Development a copy of the Certificate of Home Buyer Education Class completion.

- Go over the transfer of utilities with your real estate agent. Get final closing costs from your closing agent.
- Closing. The mortgage documents are signed.
- Moving day.

Pre-qualification

Pre-qualification involves using unverified information to evaluate the likelihood that a potential applicant would be able to obtain a loan. If you select to be pre-qualified, Rural Development will order an infile credit report free of charge. The results of pre-qualification are not binding.

Pre-qualification serves as an opportunity to:

- Explain the program and the application process.
- Determine the likelihood of eligibility based on income and other factors; and
- Calculate maximum loan amount based on information provided.

Although pre-qualification is not required, it is strongly encouraged.

Loan Eligibility

Mortgage Application

You must submit a mortgage loan application for processing along with a money order or personal check to cover the residential credit report. When your application is received and reviewed by our office, you will be sent a letter with documents to review, sign and return to our office. Rural Development will verify your income, rent, bank accounts, child support, etc. Once all verifications are received, Rural Development will schedule an appointment with you to go over all information and determine your eligibility for the program.

Income

Rural Development will need to determine that you have sufficient, reliable income to pay your new house payment and that the income is received regularly. Therefore, it is important that you expect to receive sufficient income to make the house payment as well as pay for your other living expenses. Rural Development will need to verify that you have maintained dependable income.

Credit Qualifications

The loan officer will review your credit report to determine your past history of repaying debt. The manner in which you have paid your obligations will be an indication of the way you may handle future obligations. A good credit history is important in considering an applicant for a new loan. Even though you may have had credit problems in the past, you may still be eligible for a loan. The loan officer will consider the circumstances surrounding the problems, how long ago the adverse credit occurred, and if your monthly debt obligations were paid timely since the credit problems.

Rural Development will require at least the most recent 12 month credit history to be satisfactory. You may want to consider requesting a copy of your credit report from your local credit bureau prior to filing an application. Applicants may obtain a free credit report by calling 1-877-322-8228 or log into website: <http://www.annualcreditreport.com>. By law, individuals are entitled to receive one free credit

file disclosure every 12 months from each of the three nationwide credit reporting companies. There may be credit information reported in error.

If you find an error; Remember, the credit bureau only reports what the creditor gives them each month. However, under the Fair Credit Reporting Act of 1997, you have the right to dispute information you feel is incorrect on your credit report. You must file a dispute form with the credit bureau to initiate the investigation process. If the creditor cannot provide documentation to the credit bureau showing the reported information to be correct, it is removed from your credit file and you are notified by the credit bureau of the action taken. Your credit score is based solely on the information in your file at the credit bureaus.

You can contact the following credit bureaus if you find an error on your credit report:

➤ **Equifax Information Services, LLC**

Disclosure Department
P.O. Box 740241
Atlanta, GA 30374

Tel: 1-800-685-1111
Website: www.equifax.com

➤ **Trans Union, LLC**

Consumer Disclosure Center
P.O. Box 1000
Chester, PA 19022

Tel: 1-800-888-4213
Website: www.transunion.com

➤ **Experian**

P. O. Box 2002
Allen, TX 75013

Tel: 1-888-397-3742
Website: www.experian.com

Debts

If your present debt is too high to qualify, you may have to wait until you pay off some of your current debts prior to purchasing or building a home.

Other Eligibility Requirements

- Be without decent, safe, and sanitary housing.
- Be unable to obtain a loan from other resources on terms and conditions that they can reasonably be expected to meet.
- Possess the legal capacity to incur the loan obligation.
- Citizenship status.

Certificate of Eligibility

If considered eligible, a "Certificate of Eligibility" will be issued for 45 days (60 days if leverage loan (*see **Glossary**)). The certificate will list the maximum loan amount you qualify for in the county you were considered eligible. Up to two 30-day extensions may be granted. You may show this certificate to your Real Estate Agent. If a real estate agent is not familiar with Rural Development's loan requirements, he or she may contact our office for guidance. If you do not find a home after your two 30-day extensions, your application will be withdrawn. You can, however, submit another application for consideration.

Once you submit a contract/proposal and other documents as required to Rural Development, the Certificate of Eligibility becomes null and void.

Dwelling Requirements

New vs. Existing Home

You should first decide if you would rather have a new or an existing house. New houses will require lower repair and maintenance costs initially and will have warranties. New houses may also offer more energy-efficient features that may result in lower utility bills. Many first-time homebuyers purchase existing houses because they typically can get more for the money. The purchaser of an existing house can benefit from improvements the seller has made, such as landscaping. You should consider the money that you will need to spend on the home for repairs and improvements before making an offer.

Location

For many people, the location of the home is their most important consideration. Keep in mind what is important to you. Do you need to be in a particular school district, or close to a job or day care facility? If you are able to travel some distance to work you can sometimes save on housing costs, but you should keep the cost of commuting in mind.

The payment for costs associated with the inspection must be agreed upon between the buyer and the seller and should be discussed prior to signing a purchase agreement. Preferably, this should be included in your contract.

Prohibited Features:

- **Swimming pools.** Rural Development will not finance properties that include in-ground swimming pools. It is not acceptable to remove a pool before or after closing in order to meet this requirement.
- **Income-Producing Land or Structures.** Rural Development financing cannot be used to purchase or improve-producing land or building designed to accommodate a business or income-producing enterprise. Home-based operations such as child care, product sales, or craft productions that do not require specific features are not restricted.
- **Construction:** Manufactured, Modular/Panelized and Stick-built. New manufactured homes may be financed by Rural Development (30 year term) when installed by an approved dealer/contractor on a permanent foundation.

Site Requirements

Modest Sites

Modest sites are defined by their size, value, and the presence of any outbuildings. Rural Development must verify that the requirements listed below are met:

- **Size.** The size must not be large enough to be subdivided under local subdivision regulations.
- **Value.** The value of the site must not exceed 30 percent of the as-improved market value of the property. The 30 percent limitation may be exceeded if the site cannot be subdivided into two or more

sites and the value of the site is typical for the area, as evidenced by the appraisal and the practices of other lenders.

- **Farm Buildings.** The property must not include farm service buildings (although smaller outbuildings such as storage sheds are allowed), or must be readily saleable with the farm buildings.
- **Road.** Should meet with Rural Development street and access requirements.
- **Rural Areas.** The property must be located in a rural area.
- **Water and Wastewater Systems.** Must meet minimum standards regarding water and wastewater systems.



Parties in the Home Purchase Transaction

Appraiser	The appraiser will inspect the property and determine the market value of the property. The purchaser usually pays for the appraisal.
Closing Agent:	The closing agent will handle the preparation of final closing documents and meet with you to execute the documents at loan closing.
Home Inspector	This person can provide unbiased technical/structural feedback on the home you wish to purchase. This is typically a purchaser's expense.
Lender	Rural Development will provide funds to you for the purchase of your home. The loan officer takes your application and will assist with gathering the necessary information to process your loan.
Realtor/Real Estate Agent:	The Real Estate Agent will assist you in finding a home and preparing an offer to purchase (contract) to present to the seller. They receive a percentage of the contract amount as their commission.
Seller or Builder:	This is the owner of the property you will be purchasing.

Getting a Contract

Real Estate Purchase Contracts

Real estate purchase contracts will vary from location-to-location. If the homebuyers are working with a Real Estate Agent, the agent will use the standard residential contract that is approved by the local Board of Realtors. Since Real Estate Agents handle the bulk of real estate sales transactions, they generally use purchase contracts that provide both buyer and seller protection. Whether using a Real Estate Agent or handling the purchase agreement on your own, there are a number of items listed below that should be included in the purchase agreement.

- **The full legal description of the property.** Found on title policies, surveys, or public records in the county recorder's office. The street address should also be included.

- **The amount of earnest money.** A purchase offer is accompanied with an “earnest money” deposit. This money serves to assure the seller that the buyer is making an offer in good faith. Because the seller will take his home off the market once a purchase offer is signed, the earnest money offers her/him some protection if the buyer rescinds from the legal contract. The amount of earnest money is negotiated between the buyer and the seller and will be placed with a real estate broker or deposited in an escrow account. However, if, for some reason, the buyer changes his/her mind, the seller may be entitled to keep the earnest deposit. The contract should clearly state under what circumstances this money will be refunded. At loan closing, the earnest money deposit will be applied as a credit toward your closing costs.
- **Contract between the buyer and the seller** (no real estate agent involved). An attorney can type a legal contract for the purchase of your home if no real estate agent will be involved or you may contact the local Rural Development office and we will provide you with a blank sales contract for your use. You may also find this contract on our e-forms site at: <http://forms.sc.egov.usda.gov/eforms.mainservlet>

Time Limit

The offer to purchase is usually valid for a limited time from the date of the offer. If the seller is out of town or unavailable, the buyer may request to extend the acceptance period.

Construction

New Construction

If new construction, you will select the contractor who you want to build your home. The contractor must have a Class A license. The contractor will submit a complete breakdown of materials and labor and describe the quantity, quality, sizes, grades, styles, model numbers, etc., to clearly identify the work and materials to be furnished. If the contractor has never participated with Rural Development, we will:

- Interview the contractor and inspect homes they have recently built;
- Obtain a certified financial statement;
- Obtain, at the contractor’s expense, a commercial credit report on the firm and consumer credit reports on each of the principals;
- Check with the local consumer protection agency or Better Business Bureau for any complaints about the builder; and
- Talk to other homeowners about their experiences with the builder.

Home Inspection

A contingency that many buyers choose to place on the contract is a home inspection (this is in addition to the inspection required by Rural Development). Since a home inspection is not a requirement of obtaining a loan with Rural Development, a buyer who desires to have a home inspection should budget for this expense. The inspection is important and strongly recommended because through the course of the inspection you learn how to maintain the home you have chosen and you become an informed buyer. The home inspection is typically paid by the purchaser when the inspection is conducted. A general home inspection involves visual examination of major building systems and components. The intention of the general home inspections is to provide the buyer with useful information about the condition of the residence and identifies major deficiencies in the home’s structure and components.

Home Inspector

A home inspector is a professional who has been trained to examine the visual condition of residential properties and determine if they are free from major mechanical (heating, plumbing, electrical, etc.) or structural (walls, roof, foundation, etc.) deficiencies. While professional home inspectors throughout the country are not licensed, many choose to follow the Standards of Practice established by the American Society of Home Inspectors. The "Standards of Practice" are guidelines that specify the components of a home to be included in an inspection: the heating and air conditioning systems, the plumbing and electrical systems, the roof, gutters, and down spouts, attic, visible insulation, visible drainage systems, wall ceilings, floors, windows, doors, garage, foundations, basement, etc.

The inspector will let you know whether the major mechanical/structural systems are in overall satisfactory condition and will suggest repair methods. You should expect a written report of your inspection. The report should describe the condition of the home at the time of the inspection based upon the inspector's visual observation.

Real Estate Agent

Your Real Estate Agent will provide Rural Development with the contract. The Rural Development representative will schedule an appointment to visit the house or site within 7 days from receipt of a contract/proposal. This inspection will ensure that the house meets certain Rural Development requirements. A list (if applicable) will be prepared of repairs to be performed to the property prior to closing.

Appraisal

Upon receipt of your contract and after the Rural Development Loan Officer's inspection, Rural Development will order an appraisal. The appraiser has approximately 14 days to perform the appraisal. The appraiser will either give the estimated value of the property in its current condition (the "as is" value) or, based on construction plans and specifications, give the estimated value of the property after development (the "as improved" value). The buyer usually pays this cost at loan closing. You can pay for this out of your pocket or it may be included in the loan amount. This is determined during your eligibility interview.

Once the appraisal has been received and reviewed by Rural Development's representative, the buyer and the seller will be notified. Any changes, repairs or additions to the contract will be negotiated and initialed by all parties. Once all parties agree and the addendum to contract, if applicable, has been received, the loan can then be approved and, if funding is available, obligated.

Funding Commitment

Once your loan has been approved, Rural Development will mail RD Form 3550-7, Funding Commitment for your signature. Review this form carefully before signing. If you have any questions, contact your local Rural Development office.

Once Rural Development receives the signed Funding Commitment form, the request for title work will be sent to your Closing Agent and you will be on your way to closing.

Survey

A recent house location survey is required for any property which is financed by Rural Development. The survey will ensure that all existing and proposed structures are or will be located on the site. When a new survey is needed, it must contain boundary lines, any improvements, encroachments on the subject or adjacent property, above-ground easements, set-backs either imposed by either restrictive covenant or zoning, and any additional requirements needed to obtain title insurance. For new construction, the boundary corners must also be clearly marked and a house location survey will be issued once the house is completed.

An existing survey can be used if it meets the above requirements. The cost will be negotiated between the buyer and the seller.

Adequacy Certification for Existing Properties

The property will need to be inspected by a licensed contractor or a qualified third party prior to closing to determine that the dwelling:

- Provides decent, safe, and sanitary housing and meets the housing needs of the borrower.
- Is structurally sound and functionally adequate and in good repair (or placed in good repair with loan funds)
- Is modest in size, design, and cost.
- Meets the Rural Development insulation/thermal standards.
- Is certified for adequacy of electrical wiring, plumbing, water, heating, waste disposal and free of termites/wood damaging organisms.
- Is located on desirable sites with an adequate supply of safe drinking water and suitable arrangements for sewage disposal.

Hazard Insurance/Escrow Account

A one-year paid-in-advance receipt and a copy of the insurance policy/binder are required before setting the closing date. You are responsible for paying for the first year out of your pocket prior to closing. The mortgage clause should be: United States of America acting through the Rural Housing Service (RHS) or its successor agency.

At closing, money will be collected from you to set up the escrow account. The escrow account is an account maintained by the CSC for payment of your taxes and insurance when they come due. (NOTE: this amount will be given to you at a later time and is part of your loan closing costs.)

Final Walk Through Inspection

You should have a final walk through of the property 24 hours prior to closing. This allows you to make sure the seller has vacated the property and has left any items that were negotiated in the contract, and that there has not been any damage to the property. It will also allow you to make sure that the repairs (if any) have been completed. Typically, your Real estate Agent will accompany you on this inspection. During the walk-through, all remaining deficiencies should be noted. All repairs must be completed before loan closing.

Mortgage Title Insurance

Lenders title insurance is required; the cost is based on the contract amount. Once the Title Commitment, inspections reports, house location survey and insurance, and tax information are received; closing is scheduled. Rural Development will try to close the loan as close as possible to the date stipulated on your contract, but all of the above information is necessary prior to closing and sometimes there can be a delay.

Closing

The closing or settlement date is when the sales transaction is completed. Rural Development will provide the loan funds directly to the settlement agent. The title or deed to the property will be transferred to you, the sellers will receive their sales proceeds, and you will receive the keys to your new house.

You should check with your Closing Agent prior to the closing date to determine how much money to bring to the table and what form of payment (cashiers check, money order) they accept. You are entitled to an estimated HUD-1 (see definition below) within 48 hours of closing.

The closing will take place at the place designated by your Closing Agent. All closing documents will be reviewed and signed. The Closing Agent will explain each of the forms to you, and you should feel free to ask any questions you have concerning these documents.

You will be given copies of your legal documents. These are important papers and should be kept in a safe place. The Closing Agent will provide you copies of the following documents:

Deed	Conveys title from the seller to the buyer. It is recorded in the local County Circuit Clerks Office.
Deed of Trust	Document which secures payment of the note and spells out the recourse should the terms of the note not be met. Specifically, it allows the lender to accelerate the debt and foreclose on the property in the event of default.
HUD-1	Settlement statement is the document that itemized all of the costs related to the transaction. It indicates which party (buyer or seller) is responsible for payment of each item and will summarize the amount of money that you owe and the amount due to the seller at closing. Both buyer and seller are required to sign this document.
Promissory Note	Borrower's promise to pay. The note will reflect the terms under which you are borrowing the money (interest rate, term, late payments, prepayment and default).
Subsidy Repayment Agreement	Agreement by the borrower stating that he/she will pay recapture in accordance with the agreement.

You will find a mortgage payment coupon with your closing documents. The mortgage payment will be broken down between the Principal and Interest (P&) and the Escrow. You may use this coupon if you do not receive one in the mail. Each month our CSC will issue a new payment coupon. You may send payments without the coupon, but make sure to write the account number on every check or correspondence that you send.

Pre-Construction Conference

Pre-Construction Conference

For construction loans; you, the contractor or his representative and the Rural Development Officer will hold a pre-construction conference. The pre-construction conference is to ensure that each party understands their respective roles and responsibilities. The parties will review the drawings and specifications to ensure everyone understands the scope of work, construction/thermal standards, environmental mitigation requirements, materials, inspection, change orders, and payment procedures.

Written Contract

A written construction contract will be signed by you and the builder. Once the construction contract is in place, construction can begin. All construction work will be inspected periodically to ensure that the work is done properly.

Meet With Contractor

If changes to the approved drawings and specifications are required during construction, you and the contractor must meet, sign and submit Contract Change Order (Form RD 1924-7) to Rural Development for review and approval.

Final Walk Through

Once construction is complete, you, the Rural Development representative and your builder will have a final walk through inspection of the dwelling. At this time, you will sign final loan documents, and your builder will issue a one-year builder's warranty. The first house payment will be due 30 days after final inspection. Payment will then be due monthly.



You Are Now a Home Owner!

YOU AND YOUR HOME

Now that you are a homeowner you need to take steps necessary to protect your investment. This chapter provides tips on making the financial adjustment to handle your new responsibilities.

Post-closing and Maintenance

It is natural to want to decorate your new home or to furnish those extra rooms you now have. You must remember that your qualifications for repaying the loan were based on your existing debt. If you make a new purchase for which you must borrow money, you may have difficulty making your house payments. Your new house payment most likely will be greater than your previous rent payment. In addition, your utility bills are likely to increase. It is important to first make sure you can handle your new monthly housing expenses before you obtain additional debt.

- See your Promissory Note if you can't remember when your first payment starts (usually 30 days after closing.) If you have not received your payment coupon, use the one that was given to you at your loan closing.
- You may wish to contact your electric and gas companies and request to get on their budget plans. This will allow you to pay the same amount each month and will enable you to better budget for the bills.
- Plan ahead for large periodic bills such as car insurance and personal property taxes. You should put aside an amount for these bills each month. Christmas club accounts are useful for this.
- Put aside \$50-100 each month for maintenance and repairs to your home. You may wish to have these funds in a separate account.
- Now that you're a homeowner, many credit and finance companies will contact you to offer new credit cards and loans. Avoid taking on any new debt.

Avoiding Foreclosure

You have invested a great deal of time and money in obtaining your home. It is most likely the largest financial investment you will ever make. However, you must make your monthly payment on time or you will risk losing your home and the money you have invested through foreclosure.

Even the most reliable borrowers sometimes fail to meet every payment on its due date, and it is possible that there is a good reason for the failure, such as a reduction of earnings or illness in the family. If you are having problems making your monthly mortgage payments, you must act **immediately** by calling the **Centralized Servicing Center at: 1-800-414-1226**. If you do, you might avoid losing your home through foreclosure.

Foreclosure is the legal means that your lender may use to get ownership of your home. When foreclosure takes place, the lender becomes the owner of your home. You must then move into other housing. Under those circumstances, you might find it less expensive to make your mortgage payments than to rent housing.

What You Can and Should do to Save Your Home

If you have fallen behind in your mortgage payments there are many alternatives and programs available to help you to save your home.

Call a housing counseling agency or a non-profit credit counseling agency: You may obtain information about the locations of these agencies from your lender or a housing authority or housing office for your state, county or city. Ask for an appointment to discuss your problem with a housing counselor.

Things to Remember to Avoid Foreclosure

- Take immediate steps to save your home.
- Call CSC at **1-800-414-1226**.
- Call a housing counseling agency and arrange an appointment.
- Cooperate with whatever source of help you call.

Your mortgage payment is your most important debt. Making your payments on time will establish a good credit rating, which is necessary when you want to obtain a loan or other credit in the future.

Taking Care of Your New Home

Now that you are homeowner you will be responsible for the many things that may have been handled by a landlord or maintenance staff in the past. Keeping your home in a good condition will make it more valuable should you want to sell it in the future. Routine maintenance and repairs will also help to save on the cost of major repairs in the future.

Getting to Know Your Home

In order to care for your home you must know as much about its systems as possible. You should know the following:

- Location of fuse or circuit breaker box and main electrical switches.
- Location of main cut-off valve for water and gas.
- Location of thermostat for hot water heater.
- Warranties and owner's manual for appliances.
- Instructions for use of all appliances and systems (do not use any appliance if you do not know how to operate it; you may void the warranty if it is used improperly).
- Names and numbers for any contractors or subcontractors who may have installed systems or provided recent repairs (electricians, plumbers).
- It is important that you keep up with your termite inspections. Many pest control companies offer one-year policies for \$50-100 that will guarantee that your home stays termite-free. If you have this coverage, any problems that crop up will be handled under the terms of your policy. When you go to sell your home, you won't have any surprises in the form of extensive termite work.

Fall/Winter

- Clean gutters and drain pipes so that leaves won't cause a clog.
- Check weather-stripping and caulking around doors and windows. Repair if necessary.
- Close outside foundation vents.
- Check for cracks in house siding. Fill any cracks with caulk.
- Remove window air-conditioning units or put weatherproof covers on them.
- Close storm window and doors and repair if necessary.
- Inspect chimney for creosote buildup. The chimney should be cleaned periodically (depending on amount of use) to reduce the risk of a chimney fire. Be sure that the damper closes tightly.
- Check roof for leaks.
- Have heating system serviced by a professional. Change filters regularly.
- Check attic for adequate insulation.



Spring/Summer

- Check outside of house for cracked or peeling paint.
- Check the roof for any loose or broken shingles.
- Clean gutters.
- Change filter in furnace.
- Check basement for any wet spots or cracks in foundation.
- Open foundation vents.
- Service any window air-conditioning units and replace filters.
- If your home is served by a private septic system, you should have the system pumped every two to five years to keep it running properly.



Owning a home is the American dream. You should be proud to be a homeowner.

Frequently Asked Questions (FAQs)

1. **Q: Can we add a shed or put up a fence?**

A: Yes, you can make any repairs or make simple improvements without contacting Rural Development.

2. **Q: Can I sell my house whenever I want?**

A: Yes. Call the **Centralized Servicing Center (CSC)** at **1-800-414-1226** for more information and to get a pay off quote.

3. **Q: What happens if I lose my job or there is a change of income in the household?**

A: If you are on the subsidy and have a reduction in income, you may call CSC at 1-800-414-1226 for a review and possible reduction in monthly payments.

4. **Q: Now that my loan is closed, do I contact the local office with questions concerning my loan or payments?**

A: Your Rural Housing loan was made and closed by the local office. Once the loan closes, it is serviced by CSC in St. Louis, MO. Your local office is always available if you need assistance, but, it is recommended that you first contact **CSC** at **1-800-414-1226**.

5. **Q: When will I own my home?**

A: You already own your home. Rural Development has a lien on the property based on the amount of money we loaned you to purchase your home. The Deed of Trust is the document that is our lien.

Glossary of Mortgage Terms

Abstract (or search) of Title	A brief history of the legal ownership of a piece of property.
Acceleration	Demand for immediate repayment of the entire balance of a debt if the security instruments are breached.
Amortization	Repayment of mortgage debt with equal periodic payments of both principal and interest, calculated to retire the obligation at the end of a fixed period of time.
Appraisal	A formal written estimate of the current market value of a home. It also refers to the process by which a value estimate is obtained.
Appraiser	The appraiser will inspect the property and determine the market value of the property. The purchaser usually pays for the appraisal.
Broker	In real estate transactions, the broker usually brings together the buyer, the seller and the mortgage lender to assist them in negotiating a contract.
Builder	Licensed contractor who will build the home.
Cancellation Clause	A clause in a contract or lease whereby either one of the parties is permitted to terminate the contract or lease upon the occurrence of specific conditions set forth in the clause. For example, if the buyers are not certain whether they can secure a mortgage, they would insist themselves in the event a mortgage is not secured.
Certificate of Eligibility	A document issued by the Agency to an applicant that confirms that the applicant is eligible for Agency assistance and shows the maximum loan amount for which the applicant qualifies.
Closing	The delivery of a deed, financial adjustments, the signing of notes and the disbursement of funds necessary to consummate a sale or loan transaction.
Closing Agent	The Closing Agent will handle the preparation of final closing documents and meet with you to execute the documents at loan closing.
Closing costs	Various fees required to conclude a real estate transaction.
Coupon	You will find a mortgage payment coupon with your closing documents. The mortgage payment will be broken down between the Principal and Interest (P&I) and the Escrow. You may use this coupon if you do not receive one in the mail. Each month our CSC will issue a new payment coupon. You may send payments without the coupon, but make sure to write the account number on every check or correspondence that you send.

Debt-to-income Ratio	The ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debts is divided by his or her gross monthly income.
Deed	Conveys title from the seller to the buyer. It is recorded in the local County Circuit Clerks Office.
Deed of Trust	A type of security instrument in which the borrower conveys title to real property to a third party (trustee) to be held in trust as security for the lender with the condition that the trustee shall recover the title upon the payment of the debt and, conversely, will sell the land and pay the debt in the event of a default by the borrower.
Delinquency	Failure of a borrower to make timely payments under a loan agreement.
Earnest Money	The deposit money given to the sellers by the buyers to show that they are serious about buying the house. This money is applied to the closing costs if the contract is accepted.
Easement	The legal right to use land, or a portion of land, owned by another for a limited purpose.
Escrow Account	An account to which the borrower contributes monthly payments to cover the anticipated costs of real estate taxes, hazard and flood insurance premiums, and other related costs.
Foreclosure	A legal procedure in which a mortgaged property is sold to pay the outstanding debt in case of default.
Good Faith Estimate	An estimate of the closing costs given to the borrower at time of application and at loan closing.
Gross Monthly Income	The total amount the borrower earns per month before any expenses are deducted.
Home Inspector	This person can provide unbiased technical/structural feedback on the home you wish to purchase. This is typically a purchaser's expense.
Homeowner's insurance	A policy insuring against multiple perils (fire, wind, etc.), commonly called a package policy, and made available to owners of private dwellings. There are wide variations in the coverage of such policies, which generally insure the dwelling and its contents.
HUD	Department of Housing and Urban Development.
HUD-1	Settlement statement is the document that itemized all of the costs related to the transaction. It indicates which party (buyer or seller) is responsible for payment of each item and will summarize the amount of money that you owe and the amount due to the seller at closing. Both buyer and seller are required to sign this document.
Joint tenancy	The ownership of real estate for life by two or more persons, each has an undivided interest. If one party dies, the survivors automatically receive his or her interest in the property.

Lender	Rural Development will provide funds to you for the purchase of your home. The loan officer takes your application and will assist with gathering the necessary information to process your loan.
Leveraged Loan	A loan or grant to an Agency borrower from a non-Agency source for the same property closed simultaneously with an Agency loan.
Monthly Housing Expense	See Principal, interest, taxes and insurance (PITI).
Net Monthly Income	The total amount the borrower earns per month after any expenses are deducted.
Payment Assistance	A payment subsidy available to eligible borrowers that reduces the effective interest rate of a loan.
Principal	The original balance of money lent, excluding interest. Also, the remaining balance of a loan, excluding interest.
Principal, Interest, Taxes And Insurance (PITI)	Principal, interest, taxes and insurance. Also called monthly housing expense.
Promissory Note	Borrower's promise to pay. The note will reflect the terms under which you are borrowing the money (interest rate, term, late payments, prepayment and default).
Real Estate Settlement Procedures Act (RESPA):	A federal statute and regulation published by HUD governing real estate lending practices and disclosures. Its main features pertain to the provision of a good faith estimate of loan settlement costs and the provision of the HUD settlement booklet within three days of submitting the loan application.
Realtor/Real Estate Agent	A person licensed to sell and/or lease real property; acting as an agent for others; and who is a member of a local real estate board affiliated with the National Association of Realtors® (NAR). Realtor® is a registered trademark of the NAR.
Recapture	An amount of subsidy to be repaid by the borrower upon sale of home, transfer of title, loan paid-in-full, or nonoccupancy of the property.
Rural Development (RD)	This agency provides financing to qualified applicants who are unable to obtain financing from other sources at reasonable rates and terms. Rural Development is a U.S. Department of Agriculture (USDA) agency.
Sales Contract	A written agreement between the buyer and the seller stating the terms and conditions of a sale or exchange of property.
Search (of Abstract) of Title	A brief history of the legal ownership of a piece of property.
Seller	Owner of the property that is selling the house you plan to purchase.
Settlement	The closing of a mortgage loan.

Subsidy Repayment Agreement	Agreement by the borrower stating that he/she will pay the subsidy recapture due in accordance with the agreement.
Survey	A measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions, and the location and dimensions of any improvements.
Title	Written evidence of the right to or ownership in property. In the case of real estate, the documentary evidence of ownership is the title deed that specifies in whom the legal estate is vested and the history of ownership and transfers. Title may be acquired through purchase, inheritance, gift or through foreclosure or a mortgage.
Title Insurance	A policy, usually issued by a title insurance company, which insures a homebuyer against errors in the title search. The cost of the policy is usually a function of the value of the property and is often borne by the purchaser and/or seller.
Title Search	An examination of public records, laws and court decisions to ensure that no one except the seller has a valid claim to the property, and to disclose past and current facts regarding ownership of the subject property.
Total Debt (TD) Ratio	The amount paid by the borrower for principal, interest, taxes and insurance and any recurring monthly debt, divided by repayment income.
Truth-In-Lending	A federal law requiring disclosure of the annual percentage rate to homebuyers shortly after they apply for the loan.
USDA Rural Development (RD)	United States Department of Agriculture (USDA), Rural Development (RD) This agency provides financing to qualified borrowers who are unable to obtain financing elsewhere.

Ten Basic Rules of Money Management

1. **Plan.** Plan for the future, especially major purchases and occasional expenses like car insurance or personal property taxes.
2. **Set financial goals.** Determine short, mid and long range goals.
3. **Know your financial situation.** Compare outgoing to monthly net income. Be aware of your total indebtedness.
4. **Develop a realistic spending plan.** Evaluate your plan by comparing actual expenses with planned expenses.
5. **Don't allow expenses to exceed income.** Don't charge more every month than you are repaying to your creditors. Avoid only paying the minimum on charge accounts.
6. **Save.** Save for expenses which occur infrequently, such as car and home maintenance. Save 5 to 10 percent of your net income. Accumulate an emergency fund.
7. **Pay your bills on time.** Maintain a good credit rating. If unable to pay, contact your creditor and make arrangements.
8. **Know the difference between necessity and desire.** Money should be spent for "wants" only after basic needs have been met.
9. **Use credit wisely.** Use credit for safety, emergency and planned purchases. Don't allow credit payments to exceed 20 percent of your net income. Don't borrow from one creditor to pay another (unless it is to lower the finance charge).
10. **Keep daily log of expenditures.** Be aware of where your money goes.

Are You an Over spender?

If you feel your finances control you instead of you controlling your finances, ask yourself the following questions. If you answer “yes” to the majority of these questions, you may want to consider altering your current spending habits.

- Are you still paying bills from purchases made a year ago?
- Do you use credit cards even when the purchase is small and you have the cash?
- Is your checking account frequently overdrawn?
- Do you race to the bank to deposit your paycheck before the bills come in?
- Have you stopped having, or adding to, a savings account?
- Do you sometimes wonder why you made a particular purchase?
- Do you feel “out of control” when faced with a buying decision?
- Do you “juggle” payments to keep creditors satisfied?
- Are your credit accounts usually at the maximum credit line?
- Do you feel free to spend more after clearing up a debt?
- Are you surprised at how much interest you pay creditors annually?
- Do you hope that your children will handle money better than you do?
- Would a small reduction in your income or an unusual expense force you to neglect your obligation to creditors?



Committed to the future of rural communities.

For more information, please contact your nearest USDA Rural Development Office; or you may contact the Virginia State Office at:
Or write to:

USDA, Rural Development
1606 Santa Rosa Road, Suite 238
Richmond VA 23229
(804) 287-1598
<http://www.rurdev.usda.gov/va>

USDA is an equal opportunity provider, employer and lender.

To file a complaint of discrimination write
USDA, Director, Office of the Civil Rights
Room 326-W, Whitten Building, 14th and Independence Ave., SW
Washington, DC 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).



Version also available in Spanish

Revised September 2007