

Buyer's Guide

provided by Danberry Realtors



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When you're looking for a new home, the possibilities can be exciting, but also frustrating. Your results will depend on how much you have prepared yourself. Please note below a series of links to walk you through the process of buying a home. Each link will provide important answers to your questions as you begin this exciting venture of purchasing a home.

Once you are ready, you can [contact a Danberry agent](#) for the assistance you need to make this process a reality.

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The First Step

Are you ready? No matter what the reason is for buying a home, The Danberry Co. can begin with a thorough needs analysis to assist you. Everyone knows this process can become confusing at times. That's why a Danberry agent, specifically trained to help you sort out your needs, can help you clarify and identify your specifics for your new home. They can also identify and set expectations as you proceed with your home search.

The Danberry sales associate will stay with you on every step of your search process, carefully going over all inventories of available homes. However, keep in mind that a Danberry agent can show you any home that is on the market not only with The Danberry Co., but with any real estate company in the area. The Danberry Co. agent is an excellent resource for you providing details necessary to make an informed decision.

Your Danberry agent also has the ability to introduce you to a First Mortgage Consultant who can assist you in getting a mortgage approval to accurately identify your purchasing power. We also have the availability of offering [Danberry Home Services](#) to you where you will find a host of other services available to you to make your home purchase as easy as possible.

What do you do first? Buy or Sell?

If you own a home, this answer can be specific to your circumstances. However, as a general rule, most real estate professionals will recommend selling your home prior to purchasing a home. Since this decision is specific to each individual, you may want to ask the recommendation of your Danberry agent to determine how they may project days on market until potentially securing a sale which would be dependent upon market conditions.

In an excellent market, you can assume that your home may sell very quickly. However, this will be dependent upon location and condition. If absolutely necessary, you can consider placing an offer on a home that is contingent upon the sale of your present home. Conversely, you can make the sale of your home contingent upon finding suitable housing.

Historically, spring and fall have been the most popular times to put a home on the market. This too may be a factor in deciding when to sell your home. Your Danberry agent can counsel you on interest rates and consumer confidence in the economy. All of these may be a factor in deciding the right time to sell.

Look to your Danberry agent to help find solutions that suit your needs as to what is right for you.

First-Time Homebuyers Tax Credit

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000
ASSISTANT SECRETARY FOR HOUSING
FEDERAL HOUSING COMMISSIONER
www.hud.gov espanol.hud.gov

May 29, 2009

MORTGAGE LETTER 2009-15

TO: ALL APPROVED MORTGAGEES

SUBJECT: Using First-Time Homebuyer Tax Credits

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provides for as much as an \$8000 tax credit to qualified first-time homebuyers. FHA supports this important initiative to promote homeownership.

This mortgagee letter provides:

- Basic information on the first-time homebuyer credit obtained from the Internal Revenue Service (IRS) website. Complete information on how the first time homebuyer tax credit works, including the eligibility requirements for the tax credit, the amount of the tax credit that a first-time homebuyer may be eligible to receive, and how a homebuyer may claim the tax credit is available on the IRS website at <http://www.irs.gov/newsroom/article/0,,id=204671,00.html?portlet7>
- Guidance on how FHA-approved mortgagees and FHA-approved nonprofit organizations as well as Federal, state, and local government agencies or instrumentalities may assist homebuyers that are eligible for the tax credit.

I. About the First-Time Homebuyer Tax Credit

Please check the IRS website to ensure you have up-to-date information. A brief overview of the tax credit from the IRS website and a copy of IRS Form 5405 (including instructions) are attached for reference.

Pursuant to 31 U.S.C. 3727 and 26 U.S.C. 6402, a refund of the first-time homebuyer credit will be made by the IRS only to the taxpayer, not to a third party. In other words, any refund issued in response to a claim for this credit cannot be assigned by a taxpayer to a third party.

II. FHA Tax Credit Guidance

Secondary Financing

Consistent with existing FHA policy, FHA will permit entities covered by Section 528 of the National Housing Act to use the current authority to offer tax credit advances with second liens in a manner consistent with the requirements in 12 U.S.C. 1709(b)(9).

Eligible government agencies and instrumentalities of government are described in handbook HUD-4155.1 5.C3 and 5.C4.

Conditions:

- The tax credit advance, when combined with the FHA-insured first mortgage may not result in cash back to the borrower.
- The second lien may not exceed the total amount needed for the downpayment, closing costs, and prepaid expenses.
- Secondary financing may be "soft" (silent) or require a monthly repayment.
- If payments are required, they must be included within the qualifying ratios and, when combined with the first mortgage, cannot exceed the borrower's reasonable ability to pay.
- Payments must be deferred for at least 36 months to not be included in the qualifying ratios.
- If the tax credit advance loan has a short term for repayment, it must also provide that if the borrower fails to repay by the designated deadline, principal and interest payments begin automatically or the loan converts to a "soft" second.
- The secondary financing may not require a balloon payment before ten years.

Purchase of Tax Credit

FHA-approved mortgagees and FHA-approved nonprofit organizations as well as Federal, state, and local governmental agencies and instrumentalities thereof may purchase the tax credit anticipated by the homebuyer.

Conditions:

- The proceeds of the sale of the tax credit may not exceed the anticipated tax credit due the homebuyer based on the computations of form IRS 5405;
- The borrower must submit a signed certification that the tax credit is not subject to offset due to other indebtedness.
- A copy of the borrower's tax refund and/or the IRS 5405 must be collected and retained in the FHA case binder.
- Any costs attendant to the purchase of the tax credit are to be nominal and discounting the anticipated credit to cover the costs and expenses of the transaction must be reasonable and

- Pursuant to 12 U.S.C. 1709(b)(9), the homebuyer's down payment required for eligibility for FHA insurance may not consist of any funds (including funds derived from a sale of the homebuyer tax credit) provided by the mortgagee, the seller, or any other person or entity that financially benefits from the transaction (or by any third party or entity that is reimbursed, directly or indirectly, by the financially benefiting person or entity).

Accordingly, the proceeds of the sale of the tax credit to FHA approved mortgagees, the seller, or any other person or entity that financially benefits from the transaction (or any third party or entity that is reimbursed, directly or indirectly, by the financing benefiting person or entity), may not be used to meet the 3.5% minimum downpayment, but may be used as additional downpayment, buying down of interest rate, or other closing costs.

Due Diligence

FHA expects that entities purchasing tax credit assets will employ appropriate due diligence measures including, but not limited to:

- Require the homebuyer to draft and provide the IRS form 5405 "First-Time Homebuyer Credit."
- Contact the borrower's employer and review pay stubs to confirm there are no outstanding garnishments.
- Review the homebuyer's credit report to ensure there are no unpaid student loans, or other obligations that could be offset against the credit.
- Validate that all of the eligibility requirements for the tax credit are fulfilled
- Review previous tax returns and IRS tax assessment letters, if any, to determine that the borrower does not have unsettled obligations to the IRS

III. Monitoring

In order to track the tax credit monetization activities, FHA will require FHA-approved mortgagees to input into FHA Connection the following data:

- Name and EIN of the party who purchased the tax credit,
- The amount of the anticipated credit, and
- The amount the homebuyer paid for the monetization services.

The lender must also collect and maintain in the FHA case file the documentation that validates all of the tax credit monetization data submitted via FHA Connection. FHA will monitor the purchase of tax credit transactions closely. Charging of excessive fees or costs in the purchase of the tax credit or increasing other fees or charges in the transaction without FHA approval may result in referral to the

Mortgagee Review Board, and particularly with respect to entities that are not FHA-approved mortgagees, referral to the Federal Trade Commission, or referral to the appropriate State Attorney General office, as may be applicable.

If you have any questions regarding this mortgagee letter, please call FHA's Resource Center at 1-800-CALL-FHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,
Brian D. Montgomery
Assistant Secretary for Housing
Federal Housing Commissioner

Buyer's Most Frequently Asked Questions

I don't know what my credit score is at this time. Is there a way I can check my credit score before looking for a house?

There are three (3) credit repositories that look into your credit history, the amount of credit available, and recent inquiries to determine what is called your FICO score. The rating is based on a combined score. You as a consumer can also get your score or review your credit report by going online to www.myfico.com or contacting the repositories at:

Equifax	800-685-1111
Experian	888-397-3742
TransUnion	800-916-8800

How do I know how many houses to look at and how do I make my decision?

Once you have identified your needs, looking at a number of homes within this criterion will help you become familiar with what you can expect to get for your money. Once you have decided you like a particular home, you should go back through it at a different time of the day. This will give you a better insight as to what the home looks like at various times.

What is the purpose of an attorney review?

In most local contracts, an attorney review provision is written into the contract. This period (usually 3 days) will allow the attorney to review the contract for language he/she may feel is inappropriate or cancel the contract altogether. The attorney may suggest language that better suits your needs. Both buyer and seller have to agree on any revision in writing.

What is title insurance and why do I need it?

Title insurance ensures clear title on the home you are purchasing. This search will determine if the seller actually owns the property and as to whether there are any encumbrances on the property or claims against it.

What happens if the home I am buying does not appraise for the amount of money I offered?

If a home does not appraise at a specified amount, options are discussed. Perhaps a second appraisal will be ordered; you as the buyer may want to put additional money down; or the seller may alter the price or consider other concessions. An example may be for the buyer and seller to split the difference between them.

Making the Offer

“What is involved in making the offer?”

Once you have found your dream home, you will find there will be a mix of emotions involved. You may visualize your furniture in your new home, planting a garden, adding a garage, etc. It's probably a good practice not to get too emotionally attached early on. There still are several steps to be taken before closing day so clear and objective thinking is necessary at this time.

How to determine what you should offer?

Several factors will affect the amount you offer. Supply and demand is usually number one, the condition, how long it's been on the market, as well as all of your personal circumstances you need to meet such as how soon you will need to close all need to be considered.

Is this property in demand?

This may affect the amount you offer. If you place a low offer, the sellers may react with a counter offer; others may reject your offer altogether. Perhaps this property has multiple offers on it. If that's the case, you will want to go with your personal highest and best offer. Your Danberry agent can advise ways in which your offer can be considered flexible.

Your Danberry agent is well trained to negotiate the offer to best represent your interests.

Do I need a deposit when I write an offer?

Your offer will be given serious consideration and show your good intention if a deposit is given when the offer is written. If your offer is the one accepted, the deposit will be placed in a trust account. If your offer is not accepted, your deposit money will be returned to you.

If a seller decides to counter your offer, you may possibly agree with his counter, or you may decide to make another counter offer. Once both sides agree, both parties initial the final agreed upon price and terms shown on the Purchase Agreement.

Your contract will also identify the items in the home included or excluded with the sale, as well as any additional provisions either side wants to have as being made a part of the contract. Contingencies such as obtaining financing are filled in before the contract is signed.

Why is there a second deposit?

Depending upon the price of the home you chose and the size of your down payment, the contract may specify a date when additional money is due. This additional money will also be placed in the trust account. Shortly thereafter, title insurance will be ordered.

What does a mortgage contingency mean?

Unless you are able to purchase your home in cash, your purchase agreement will stipulate that you agree to obtain financing within a specified timeframe. This period can be extended with the seller's agreement. If you are unable to obtain financing, the contract then becomes null and void.

Most times even after all contingencies are met, there are other details that need to be addressed. The Danberry Co. can smoothly and effectively take care of those details by an introduction to mortgage financing, home insurance, title insurance, warranty coverage and many other areas through Danberry Home Services.

If you did not get a mortgage approval, obtaining financing should be a top priority so you are in line with the dates specified in your contract. The Danberry Co.'s First Mortgage Consultants are an affiliation of Wells Fargo with a variety of products that will fit your needs. Make the financing a learning experience so you have full understanding of all the options available to you.

Home Protection Plan – HMS

Perhaps the home you're purchasing does not have a Home Protection Plan that comes with it. You may want to personally consider one. Mechanical breakdowns occur in every home. Typically these breakdowns are not covered by homeowner's insurance. The HMS warranty offers a replacement of repair protection plan for covered major appliances and systems with approved vendors. You may find out more about this home protection plan by [clicking here](#).

Closing Day!

What happens when you have a final walk-through before closing?

The final "walk-through" is typically scheduled 24 hours prior to the closing. This walk-through provides you with one final opportunity to make sure that the home you are purchasing is in the same condition as previously seen and as mutually agreed upon.

In the unfortunate circumstance a problem does occur prior to closing, your Danberry agent can contact the seller's agent to advise of the particular problem. If the seller accepts the responsibility, money for the repairs can be allocated at closing. If the seller does not agree, your Danberry agent will

be the go-between to help you and the seller reach a satisfactory compromise so that closing is not delayed.

What do I need to bring to closing?

1. A certified check for the closing/settlement costs (your lender will advise you of this amount prior to closing.)
2. Your Homeowner's Insurance policy.
3. A checkbook for any miscellaneous costs that may arise.
4. A picture state ID or driver's license.

You will spend time signing the mortgage and other documents. Be prepared to sign your name over and over again. Once it's over, it's time to celebrate – now you're ready to move into your new home!