



# Home Buying

*At a Glance*

If you plan on being in a residence for two or more years, homeownership is the cheaper option.



*Renting*



*Buying*

**Total cost after three years:\***

**\$34,719**

**\$28,059**

**Average Monthly Cost:\***

**\$964**

**\$779**

- |  |   |
|--|---|
| <b>X</b> Landlord can evict you.                           | <b>✓</b> No landlord restrictions; grills, pets, etc.                         |
| <b>X</b> Rent can be increased.                            | <b>✓</b> Fixed mortgage that won't increase.                                  |
| <b>X</b> Can't paint or customize; inefficient appliances. | <b>✓</b> Can make it your own, purchase new appliances, etc.                  |
| <b>X</b> Rent paid is worthless once your lease ends.      | <b>✓</b> Builds equity / can be used as an asset.                             |
| <b>X</b> No tax deductions or incentives.                  | <b>✓</b> Up to \$2,000, per year, tax credit for first-time buyers available. |

**+ \$179**

From 2010 to 2015, rent has increased an average of **25.39%** or \$179.

\*Comparing April 2015 average rental for two bedroom apartment to KHC purchase price home (\$120,400; two-three bedroom).

# 620

**KHC's minimum credit score requirement.**



When buying a home, you will first need to prove you have enough income to make your monthly mortgage payment without neglecting other monthly financial obligations.

When preparing to buy a home, take a moment to assess:

- Your job history and your income.
- How you have paid your bills (your credit history) and how much you owe (debt-to-income ratio).
- How much money you have saved for a down payment.

*If you are having trouble determining your budget or are not sure where to start, KHC offers free housing counseling and education on our website under the “Home Buyers” section.*

What is a r  
buyers a  
negotiate yo

# Step 1 - Find a Lender

1

There are several types of mortgage loans and institutions to choose from. Kentucky Housing Corporation (KHC) has affordable loans available through approved lenders, as well as KHC's Down payment Assistance Program (DAP).

Knowing your credit score and how much you can afford makes buying a home much easier. Prequalifying with a lender will give a clearer picture of what you can afford. Visit [www.kyhousing.org](http://www.kyhousing.org) for more information and a full list of KHC-approved lenders in your area.

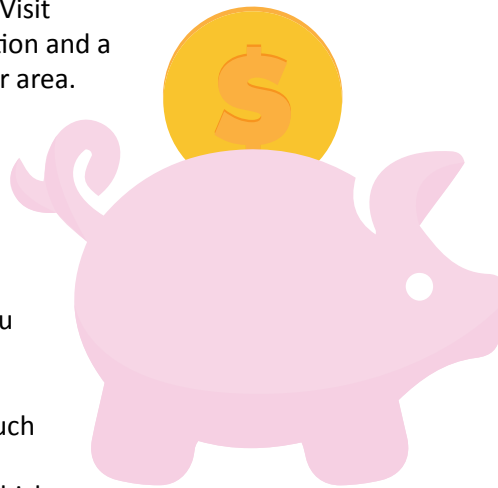
## KHC-Approved Lenders

For all KHC loans, a home buyer must apply through a lender that has been approved to work with KHC. The KHC-approved lender will assist you through the application process.

The lender will help determine how much home you can purchase, analyze your credit, and give you a Loan Estimate, which details all the costs

associated with your loan, including down payment, closing costs, and prepaid items. Additionally, the lender will be able to recommend any KHC down payment assistance for which you may qualify.

*KHC offers DAP up to \$6,000-available for first-time and repeat home buyers. A first-time home buyer tax credit for up to \$2,000 per year is also available.\**



\*Terms and conditions apply. First-time Home Buyer Tax Credit (MCC) lasts for the life of the loan.

**Real estate agent?** A person who acts as an intermediary between buyers and sellers of property. They can help you find potential homes, prepare your contract, and obtain a home inspection, as well as educate you through the entire home buying process.

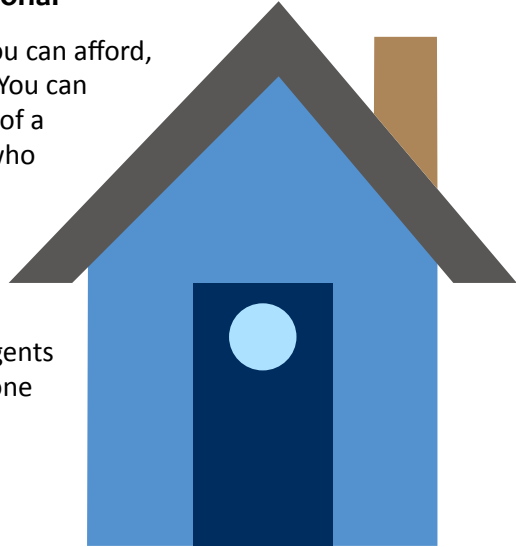
## Step 2 - Find a Home

2

### Selecting a Real Estate Professional

Once you know how much house you can afford, you can start shopping for a home! You can look on your own or utilize services of a real estate professional, an expert who knows which homes can meet your requirements and preferences.

Before selecting your agent, ask for recommendations from family and friends and interview several agents to have a better idea of what each one is like and what each offers you.



### What To Look For In a Home

Once you have decided which characteristics you want your home to have and in which neighborhoods you are interested in living, you should begin to look at homes for sale. During this period, it is important that you make a thorough evaluation of the properties that you visit.



*Be sure to check out our Home Comparison Chart to help track the properties you visit.*

Inspect each home thoroughly, making sure you look at and evaluate each area you consider important in your home.

# Step 3 - Get a Home Loan

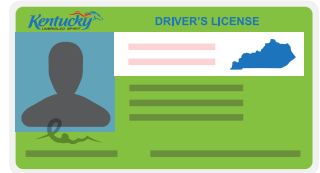
3

## Loan Application

To formally apply for a loan, first fully complete the application and supply documents verifying your information. You will need documentation of where you've worked and lived for the last two years.

## Home Appraisal

All homes are required to be appraised. This is a report made by a qualified person, which states his/her opinion as to the value of a property.



You have a right to a home inspection, which is separate from an appraisal, and not legally required. An inspection gives valuable information about the home's structural condition and mechanical systems.

## Underwriting

The underwriter reviews all the information submitted and decides whether to approve your loan. If the loan is approved, the lender prepares for the loan closing.

## Closing

The loan closing is a meeting where the buyer and the seller review and sign the loan documents with an attorney present, to ensure documents are signed and recorded.

*Use the new mortgage disclosures (effective August 1, 2015) to your advantage and compare total costs. More information can be found at [www.consumerfinance.gov](http://www.consumerfinance.gov).*

**Congratulations,  
you are now a  
homeowner!**

*Autodraft is a hassle-free payment option, saving you time and money. Every month, the loan amount will be automatically deducted from your checking account.*

## Step 4 - Protecting Your Investment

4

### ✓ Insurance

You must purchase homeowner's (hazard) insurance as part of your mortgage to protect your investment. Your lender will provide you with more information during closing.

### ✓ Keeping Up Your Home

All homeowners have expenses, such as utilities (including trash), home maintenance, and landscaping. Making sure you maintain your home helps sustain its resale value.

### ✓ Making Your Payments



Each month, your mortgage payment includes principal, interest, taxes, and insurance (PITI). Visit [www.kyhousing.org](http://www.kyhousing.org) or contact your lender for more information.



Make sure to pay your mortgage on time. Late payments will negatively affect your credit score and overall credit health.

## Call KHC's Loan Servicing

We pride ourselves on continuing to work with you after your loan has closed. KHC will continue to service your mortgage loan for the life of your loan; your loan will never be transferred or sold to another financial institution. We are committed to providing you with excellent customer service regarding your account information and KHC's convenient payment options.

If you have issues making your KHC loan payment, for any reason, call KHC Loan Servicing toll-free at **800-341-5622**.

Kentucky Housing Corporation, the trusted state housing finance agency, has been helping individuals and families realize their dream of homeownership since 1972.

Let us help you take part in the American Dream.

**[www.kyhousing.org](http://www.kyhousing.org)**



This pamphlet is an abbreviated version of the KHC *Home Buying Guide* – for the complete version, visit KHC’s website.



[Facebook.com/KYHousing](https://www.facebook.com/KYHousing)



[YouTube.com/KYHousingCorp](https://www.youtube.com/KYHousingCorp)



[Twitter.com/KYHousing](https://www.twitter.com/KYHousing)

Be sure to check out KHC on social media, to view tips and information for new and current homeowners, as well as informative videos.

Kentucky Housing Corporation prohibits discrimination based on race; color; religion; sex; national origin; sexual orientation; gender identity; ancestry; age; disability; or marital, familial, or veteran status.

**No state funds were used to produce this document.**

Free, electronic and Spanish versions are available at [www.kyhousing.org](http://www.kyhousing.org).

