



Introduction to Buying a Home

**Deciding to buy or build a home is a big decision.
Here's help.**



1. HomeChoice™

AHFC offers a free eight hour seminar to help future homebuyers work their way through the steps of buying a home. Find helpful materials and sign up for a class at <http://www.ahfc.us/homechoice/>.

2. Prequalification

Fill out an application for prequalification with a lender. This will give you an estimate of the amount of money you can borrow to build or buy your home. Before you meet with the lender, complete **Worksheet #1**.

A. Review of your credit report

After getting your credit score, the lender will decide whether you prequalify for a loan and the maximum amount of the loan by accessing the score. A minimum score of 650 is required by most lenders, and this indicates you were satisfactory in dealing with your past credit obligations.

B. Building/enhancing credit

You may need to take steps to build up your credit by:

- Correcting errors on your credit report
- Paying down your old debts
- Increasing your savings





Mortgage amount

The amount of your loan depends on how much money you have and how much you owe. Make a list of your assets (anything you own that has value) and debts (anything you owe anyone else). Complete **Worksheet #2**.

Assets can be:

- Lots with older homes on them
- Vacant deeded lots
- Boats
- Vehicles
- Savings
- Dividends

Debts can be:

- Short-term
- Long-term
- Bank loans
- Credit card balance

After you prequalify for your loan, you'll be provided a letter that details your eligibility for different loan products.

3. Apply for a Loan

You may decide to apply for a loan. Choose one that fits your needs, such as a first-time homebuyer or rural program. Complete the mortgage application. Ask your lender if you might qualify for a specific program. Some you might want to ask about include:

A. AHFC's Closing Cost Assistance Program

- Provides a competitive 30-year fixed interest rate with closing cost assistance equal to 3 percent of the loan amount to qualified homebuyers throughout the State of Alaska.
- Example: On a \$300,000 mortgage loan, the assistance equals \$9,000. The amount must be used toward closing costs first, then for minimum cash investment and principal reduction.

B. AHFC's Interest Rate Reduction for Low-Income Borrowers (IRRLIB)

- A reduced interest rate of 0.5 percent or 1 percent may be available to you depending on your family's income, size and the median income in your area.
- The interest rate reduction applies to the first \$180,000 of the loan amount. Loans exceeding \$180,000 receive a blended interest rate rounded up to the next 0.125 percent.



Your Part

When you are ready to complete the mortgage loan application:

- Provide documents from **Worksheet #1 and #2** to lender
- Complete the loan application and forms with the help of the lender

Tip! Be honest—this is the key to a successful application

4. Get Approved

The Lender's Part

The lender will:

- Provide you a Good Faith Estimate and Truth in Lending (TIL) disclosure statement that shows estimate charges you will have to pay to get the loan.
- Provide you the Annual Percentage Rate (APR) so you know how much you'll pay to borrow money.
- Verify all information on your application including:
 - Past credits
 - Employment
 - Rental payments to landlords (past & present)
 - Property value (by ordering an appraisal)

The Underwriter's Part

The underwriter then makes a decision to approve or deny your application based on the information you provided and their educated guess that you will successfully repay the loan.

5. Your Home

Congrats! You are now ready to construct, order or go shopping for your new home after your loan is approved.

Worksheet #1

Prequalification Checklist



Before the interview with the lender, complete these tasks:

- Get a copy of your credit report at www.annualcreditreport.com
- If you see mistakes on your credit report, make a note and tell your lender. They may help you get them fixed.
- Make a list of cash you have for your loan (including names, addresses of banks, account numbers).
- Make a list of all debts (names, addresses of creditors, balances, account numbers).
- Make a list of all employers, positions and include your annual salaries from the past two years.

Bring these documents to the interview:

- Earnest Money Agreement (an agreement that outlines the buyer's terms that the seller accepts)
- Last two years' tax returns and W2s (last three years' for first-time homebuyer loan)
- Copies of last three months' bank statements

If these special circumstances apply to you, also bring:

- Year-to-date Profit & Loss Statement and current balance sheet (if self-employed)
- Copies of stocks/bonds you plan to use for closing
- Copy of divorce or separation papers
- Copy of bankruptcy documents
- VA Certificate of Eligibility, DD214 or other evidence of veteran eligibility
- Evidence of resident alien status (green card)

Worksheet #2

Gross Monthly Income Worksheet



Fill out the chart with gross income per month before taxes for each borrower (if you have a spouse or another person applying for the loan with you).

INCOME SOURCE	BORROWER #1	BORROWER #2
Monthly Salary/Wages		
Overtime Wages		
Performance Bonuses		
Tips/Commission		
Part-time Employment		
Pension/Retirement		
VA Benefits		
Unemployment Compensation		
Social Security		
Public Assistance		
Alimony/Child Support		
Alaska Permanent Fund		
Longevity Bonus		
Dividends/Interest		
Net Rental Income		
Trust/Royalties		
Business/Investment Income		
Other		
Other		
Other		
GROSS MONTHLY INCOME		

Gross Monthly Income (for Borrower #1): _____ + **Gross Monthly Income** (for Borrower #2): _____ =

Total Gross Monthly Income: _____ × 12 = **Annualized Gross Income:** _____

