HomeChoice™

Steps to Homeownership

HomeChoice™

STEPS TO HOMEOWNERSHIP

Welcome to the HomeChoice™ workshop.

The class you are about to take will provide you with the tools you need to make informed decisions about purchasing and financing a home. We'll also discuss budgeting, maintaining your home and protecting your credit. Welcome to class.

Alaska Housing Finance Corporation
Mortgage Operations, Government Relations and Public Affairs

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Alaska Housing
FINANCE CORPORATION

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Introduction to AHFC, HomeChoice™ and This Handbook

Who is AHFC?

Alaska Housing Finance Corporation (AHFC) is a self-supporting public corporation created by the state in 1971 to provide Alaskans access to safe, quality, affordable housing through mortgage programs and rental housing. In addition to these functions, AHFC manages a variety of programs designed to improve the quality of housing throughout Alaska from senior housing to energy efficiency.

A Letter From Your Instructor

HomeChoice™ is a free 8-hour homebuyer education course conducted by AHFC mortgage professionals. It is designed to help you make an informed decision about the purchase of a home, whether it's your first or your tenth.

The HomeChoice™ class is designed to introduce you to AHFC's mortgage programs and the basics of financing a home. It will not necessarily give you specific information on all the programs and financing alternatives, but it will give you the background information you need to investigate all options.

The class encourages participation. Feel free to share your experiences, your successes and your failures. We do ask that you respect the privacy and confidentiality of others in the class. Share as much or as little information about your own individual circumstances as you like. You don't need to disclose any personal financial information, but do ask questions related to your individual situation. Your instructor is available for one-on-one discussions or by email or telephone contact following class.

AHFC Mortgage Programs

AHFC offers a diverse series of homebuyer loan programs. All programs for single families are outlined below, though programs for multi-family and special needs housing are also available from AHFC. For the most current information and to learn more about all AHFC loan programs visit our website: www.ahfc.us/buy/loan-programs

Many of the loans offered by AHFC are funded from the sale of mortgage revenue bonds. If a bond is taxable, the bond purchaser pays federal income taxes on the interest earned on the bonds. If the bond is tax-exempt, the bond purchaser pays no federal income tax on the earnings and has historically received a lower rate of return.

Mortgage loans are available from many sources. AHFC loan programs offer the same interest rates and terms, regardless of the lender you choose. However, the services offered and fees charged by lenders may vary, so be sure to look into which lender best meets your needs. Lenders may include commercial banks, mortgage companies, credit unions, regional housing authorities or individual sellers. In order to participate in AHFC loan programs, a lender must meet certain eligibility requirements and be approved by AHFC to sell loans. Visit AHFC's Web site for a list of approved lenders.

Taxable is available to all Alaskans and is funded by AHFC through the sale of taxable bonds. It has no income restrictions and may be used on conventional or government insured loans.

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Tax-Exempt First-Time Homebuyer, also known as Tax-Exempt Program (TEP), is available to borrowers who meet certain income limits and who have not owned a home within the last three years prior to application. Properties financed under the TEP program are restricted to certain total acquisition costs. The interest rate is typically less than that available on other loan programs because the TEP loan is funded from the sale of tax-exempt bonds.

Taxable First-Time Homebuyer is available to borrowers who have not owned a home within the three years preceding application to AHFC for a mortgage loan. Unlike the TEP program, there is no limitation on the borrower's income or the acquisition cost of the home.

Veterans Mortgage Program (VMP) is funded from the sale of tax-exempt bonds and is available to all eligible veterans, retired or active duty personnel, who have been discharged within the last 25 years. The program may not be used to refinance an existing mortgage loan, but in certain conditions, may be used for the purchase of a duplex, triplex, or fourplex.

Mobile Home Loan is available to fund the purchase of manufactured housing that meets certain minimum standards. The interest rate is the same as the Taxable loan program rate and the down payment requirements vary depending on the age and size of the home.

Rural Owner-Occupied and Non-Owner-Occupied are funded from an AHFC revolving loan fund and the interest rate and loan terms are often more attractive than other loan programs. The program is available to residents of small communities as defined by Alaska State Statutes. See the Glossary for the current definition of a "small community."

Rural Small Building Material is available to owner-occupants of housing in small communities. The loan may be used for repairs or improvements to the borrower's primary residence. The loan requires minimal documentation and is available from some AHFC approved lenders or directly from AHFC.

Second Mortgage (Taxable and Rural Owner-Occupied) is available to borrowers to fund home improvements or to purchase a home in conjunction with an assumption of an existing AHFC loan and make repairs if need be.

Second Mortgage Program for Energy Conservation provides financing to make cost effective improvements on owner-occupied properties through an energy audit for up to $30,000.

Non-Conforming I is available for certain properties with characteristics or features that limit the borrower's ability to obtain other financing. The home must be structurally sound and not pose health and/or safety hazards to the occupants.

Non-Conforming II provides financing for certain properties built after June 30, 1992, that may not have evidence of compliance with construction inspections and/or properties built after December 31, 1991, that may not have evidence of compliance with thermal standards. The property must be existing and at least five years old with a minimum 3-Star energy rating and have a home inspection.

Closing Assistance provides a competitive 30-year interest rate with down payment and closing assistance equal to 4 percent of the loan amount to qualified home buyers throughout Alaska.

AHFC Advantage

Interest Rate Reduction for Low-Income Borrowers (IRRLIB)
The IRRLIB loan feature offers a reduction to the interest rate for low-income borrowers who have not owned a primary residence within the last three years. Exceptions include borrowers who are 60 years of age or older, borrowers who have suffered a significant reduction in income due to death or permanent disability of a family wage earner, and borrowers who have lost ownership in a primary residence due to a divorce. Some restrictions may apply.

Energy Efficiency Interest Rate Reduction (EEIRR)
The EEIRR is available to borrowers who purchase a newly constructed energy efficient home, an existing energy efficient home or one to which energy efficiency improvements will be made within 365 days from closing.

New Construction
For newly constructed residences, a borrower may receive an interest rate reduction that varies depending upon the energy rating received and the location of the home. A homeowner is eligible for a higher interest rate reduction if the home is located in an area without access to natural gas and if the home achieves a higher energy rating than required by law.

Existing Properties
The EEIRR is offered to borrowers to make energy improvements to an existing home or for interest-rate reductions when financing new or existing 5 Star Plus or 6 Start energy-efficient homes.

Find AHFC Single Family Home Loan
options at www.ahfc.us/buy/add-options

Affordable Housing Enhanced Loan Program (AHELP)
AHELP is a first deed of trust loan provided by AHFC in combination with a second deed of trust provided by an AHFC partner. These partners may be government entities, nonprofit agencies or regional housing authorities. The second deeds of trust offered by AHFC partners are typically below market rate loans, such as zero interest rate loans or "forgivable" loans that may not have to be paid once certain requirements have been met. Some partners provide grants for a portion of the down payment and closing costs. Eligible borrowers are typically families with incomes lower than the area median and those who do not own other residential property within the area. Some existing properties require a home inspection and the borrowers must attend an AHFC approved homebuyer education course. In addition to program criteria established by AHFC, the partner may have more restrictive terms to which the borrower must adhere. Contact AHFC or an AHFC-approved lender for a list of participating partners, approved education courses and information on the properties that require an inspection.

Find AHELP
at www.ahfc.us/buy/add-options/affordable-housing-enhanced

AHFC Program's General Requirements

In order to obtain an AHFC loan, certain state statutes must be met. These statutes specify, among other things, the following loan purchase limitations:

Must be credit-qualified residents of the State of Alaska
Alaska residents must meet credit score requirements.

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One Loan Per Borrower
AHFC cannot purchase a loan from a lender if the borrower(s) has an existing owner-occupied AHFC loan.

Delinquent Child Support
AHFC cannot purchase a mortgage from a lender if a borrower is delinquent on child support.

Building Energy Efficiency Standard (BEES)
AHFC cannot purchase a loan secured by a home built on or after January 1, 1992, if that home was not built to an energy efficiency standard established through state statutes. In order to obtain AHFC financing, the seller must be able to provide evidence that the home complied with the energy efficiency standard at the time of construction. Exception: Properties meeting the Non-Conforming II program

Construction Inspection Standards
AHFC cannot purchase a loan secured by a home built on or after July 1, 1992, if that home did not have proper inspections throughout construction. Exception: Properties meeting the Non-Conforming II program

Licensed Contractors
AHFC can purchase a loan on a newly constructed residence only if a licensed contractor with a residential endorsement built the home. An exception is made when an owner-occupant borrower is performing the actual construction and acting in the capacity of general contractor who assumes all responsibility for the work of subcontractors.

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Chapter 1
Preparing for Homeownership

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Chapter 1: Preparing for Homeownership

Pros and Cons of Homeownership

For many Alaskans, owning their home is a dream come true. A home of your own can mean independence, security, a sense of belonging and freedom to express your own individual taste. Homeownership, however, is not for everyone. Some may find the flexibility attained by renting to be in their best interest at a particular time in their lives.

Exercise: Renting vs. Owning

Advantages of Renting	Disadvantages of Renting
Advantages of Owning	Disadvantages of Owning

There are many advantages to owning your home including tax advantages because the interest you pay on your mortgage and real estate taxes have historically been deductible on your federal tax returns. In your own home, you can adapt your living space to one that expresses your own sense of style. Having the financial and practical control of your home, allows you to invest in the neighborhood not just in a financial way, but also have a sense of pride in the schools, parks, roads and community events. Owning your home is a financial investment that can allow you to earn equity as you reap the benefits of a safe and secure environment for your family.

Homeownership also comes with potential disadvantages. You do not typically have the ability to pick up and leave that home if your job or personal situation changes. You are responsible for payment of property taxes, which pay for police and fire protection, schools and infrastructure in your area. Taxes and insurance may increase over time thus increasing your monthly payment. If repairs are needed, you are responsible. If the heat goes out in the middle of the night, you can't call a landlord; you must make immediate contact with a repairman and pay for the repairs. Ultimately, once the home is recorded in your name it is your responsibility to contract for any repairs and pay all related costs.

When you own your home, the equity that you have built not as readily available as funds you have placed in a savings account. If you suffer a loss in income and can no longer afford the monthly cost of your home, you must take steps to insure that your payments are made or sell your home. Selling a home takes time and money. If you are unable to sell your home, you could lose it through foreclosure. In foreclosure, no one wins. Homeowners lose equity earned, the home itself and your credit is damaged. No lender desires to foreclose on your home. In foreclosure, the lender must bear the costs of maintaining and marketing the home, possibly at a loss, until it is resold.

If you are convinced that homeownership is right for you, take the steps necessary to prepare yourself for becoming a homeowner. HomeChoice will prepare you.

Participants in a Mortgage Lending Transaction

The participants in a real estate transaction vary depending on the type of loan, source of borrower funds or type of mortgage insurance. In addition to these participants, a transaction may also include a government entity or non-profit agency providing special financing or grant options for certain income qualified homebuyers.

As shown in Figure 1, there are many entities involved. Understanding who may be involved in obtaining a mortgage loan in Alaska may help to clarify how the process works. Think of them as part of a purchasing team in the transaction.

Figure 1: The Home Purchasing Team

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You, the buyer and/or borrower (also called mortgagor) and the owner of the property, the **seller**.

A **Lender** can be a bank, credit union, or a mortgage firm that offers financing for a home loan financing. The loan originators determine the borrower's financial eligibility among various mortgage options. Not all loans are the same. They may vary in interest rates, fees, and customer service. See Shopping for a Lender in this chapter.

Real Estate Licensees are licensed by the Alaska Real Estate Commission (AREC) and assist in the buying or selling of real estate for a commission. Licensees could represent the buyer, the seller, or act as a neutral party for buyer and seller. See Chapter 3 for more information.

The **Home Inspector** is an individual who, for a fee, provides a health, safety, and structural inspection of the home. The inspection process is discussed in more detail in Chapter 3.

A **Contractor** (also referred to as the general contractor or builder) is the individual responsible for completing the construction of a residence. To obtain financing through AHFC, the contractor must be licensed, bonded, insured and possess a "residential endorsement" on their license. For more information see Chapter 3.

An **Inspector** is an individual, usually employed by the city, borough, or township, certified to inspect at different stages of the home construction. Most building inspectors employed by governments are certified by the state or the International Code Council (ICC).

The **Appraiser** is a licensed professional in the State of Alaska that provides an opinion of market value. Lenders will generally require a current appraisal on a property before granting a new loan.

The **Underwriter** is an individual or institution responsible for making a determination to approve or deny a mortgage loan/credit application.

An **Investor** is an entity provides the funds for mortgage loans. Most common investors include Alaska Housing Finance Corporation, Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Government Guarantees and Government Insured options, such as FHA, VA, HUD 184, and USDA-RD are available for qualified borrowers who may not be able to make a large down payment under a conventional loan.

Assistance Agencies (also known as AHELP) assists qualified borrowers to receive down payment assistance (secondary financing) from a local, state or federal governmental agency, nonprofit agency or regional housing authority.

Home Owner's Insurance provides the homeowner and the lender with coverage against losses to the property from hazards such as wind, fire, vandalism, and catastrophic events. Common policies also cover personal liability, and personal property.

The **Title Company** is an institution in the business of providing evidence of clear title to a property. They conduct a preliminary title search to determine liens and other encumbrances on a property. For a premium, the title company provides a policy of insurance to the lender and the owner of the property.

Other Entities

Entities or individuals, not listed above, may include the following:

Real Estate Attorney: provides valuable counsel to buyers and sellers in a real estate transaction. In Alaska, it is not required that an attorney be hired to purchase or sell real estate. However, legal fees may be money well spent for individuals who are unfamiliar with the

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process.

Flood Insurance: provides specific insurance coverage against property loss from flooding.

Surveyor: provides an as-built survey showing a home as it is constructed and gives a review of the current condition of space by reporting detailed measurements.

The **Loan Servicing** institution collects the mortgage payments and pays any tax and insurance payments due from the escrow account. The loan servicer may be someone other than the lender.

Energy Rater is an individual who assesses the energy efficiency of a home based on software called AkWarm™. This rating may also be used to qualify for AHFC's Energy Interest Rate Reduction Program or to assist homeowners with rebates or weatherization programs.

Shopping for a Lender

Most mortgage lenders offer the same products, so the actual lender you choose will depend mainly upon the fees charged and the service provided. If you are unfamiliar with lending institutions, ask your friends, family and real estate professional for recommendations. If you have had previous experience with a mortgage lender, use that experience as a guide either to use the same lender or a different one. Some lenders have partnership relationships with investors or insurers that allow them to offer financial incentives through grant programs and/or special loan programs. Ask several lenders about the programs they offer and fees charged. Have them prepare estimates of costs for the different loan programs, specific to your situation so you can compare equally. If, through your own research, you are aware of various financial incentives and the lender does not volunteer information about them, you may want to consider whether that lender is acting in your best interest.

Shopping for a Loan

Most mortgage lenders offer a variety of mortgage loan products. Have your lender prepare various estimates of costs to show you the different interest rates, payment amounts and closing costs associated with the loans. Ask questions and research the availability of loans. Check with real estate professionals about the various types of loans. Check with AHFC to determine what kind of loan you may be qualified for or what loan features are available that will reduce your interest rate. Make sure the lender is providing you with information about all the loans available, not just the loans that are easier to process.

Mortgage Terms and Concepts

In the world of mortgage lending, many terms may be unfamiliar. In this section, most terms described are associated with AHFC loans; however, some common nationally recognized terms are included. See the Glossary for more detailed definitions.

In considering the mortgage loan that best meets your needs; your lender may discuss AHFC, Fannie Mae, Freddie Mac, FHA or VA. As stated earlier in this book, AHFC is the acronym for Alaska Housing Finance Corporation. Fannie Mae is the nickname used for the Federal National Mortgage Association while Freddie Mac is the nickname used for the Federal Home Loan Mortgage Corporation. Both Fannie Mae and Freddie Mac are national secondary mortgage investors. A mortgage investor is not a direct lender. Instead, investors purchase mortgages from private lending institutions.

AHFC is one of the best-known mortgage investors in the state of Alaska. Fannie Mae and Freddie Mac are well known government-sponsored entities created by Congress to enhance the flow of mortgage money throughout the United States. The Federal Housing Administration (FHA) and the Veterans Administration (VA) are federally created mortgage insurers and guarantors. FHA and VA do not make loans but do insure or guarantee mortgages so that

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lenders are willing to make low or no down payment mortgages to qualified borrowers. AHFC, Fannie Mae and Freddie Mac are all purchasers of federally insured or guaranteed mortgages. Your monthly mortgage payment will consist of principal, interest, taxes and insurance (PITI) and, if applicable, mortgage insurance and homeowners association dues. The amount of your principal and interest payment will depend on the loan amount, interest rate and term of the mortgage. Most mortgages are for 15 or 30-year terms. Typically, the shorter the term of the mortgage, the lower the interest rate will be.

Amortization is the repayment of a mortgage by installments. Examples on pages 28-32 illustrate amortization over a scheduled 30-year term with scheduled principal reductions of $50, $150, $300 and $850 per month. Due to space limitations, we have provided the amortization schedule for approximately the first three years of the mortgages. The graphs compare total interest paid over the life of the mortgage. Make sure you understand the various ways you might pre-pay your mortgage. Overall savings might surprise you.

Loan Prequalification

Most lenders offer a service to potential homebuyers called loan prequalification. If you want to know the loan amount you will qualify for, make an early application with a mortgage lender. The lender will verify your credit worthiness by obtaining a credit report from a local reporting agency. Your income will be verified through direct verifications of employment and previous year's tax returns. Your available funds will be verified through direct verifications with your financial institution and copies of the previous three months bank statements. Since at this point in the process you have not yet found a house to purchase, the prequalification deals only with your eligibility for a mortgage loan, not the acceptability of a home as collateral for the loan. Use Worksheet #2: Loan Interview Checklist to help gather important documents for your lender.

Once the lender has completed the processing of a prequalification application, you will be provided information that sets forth details about your application. You will learn the loan amount for which you have been qualified. Since the lender will have no way of knowing when you may make an offer on a home, the prequalification is based on current rates and fees in effect at the time of your application. You will not receive a commitment from the lender to make the loan at a specific interest rate until you make formal application for a mortgage loan to purchase a particular piece of property.

Types of Mortgages

There are two basic types of mortgages; conventional, government insured, and "guaranteed." A conventional mortgage is one that is not insured by the federal government. Qualification for a mortgage loan varies depending upon the type of mortgage chosen. Acceptable housing payment ratios (the percentage of the payment to a borrower's gross monthly income) vary. The type of mortgage you apply for will have an impact on the amount of loan your income can support.

Conventional
The minimum down payment for a conventional loan is 5 percent. If a borrower has less than 20 percent (10 percent under AHFC's Rural Owner Occupied Loan Program) of the purchase price in down payment, the loan must be insured by private mortgage insurance (PMI). PMI is insurance to protect the lender and should not be confused with homeowners insurance. The cost of mortgage insurance is paid by the borrower and offsets some of the costs borne by a lender in the event of foreclosure. The monthly mortgage insurance premium is included in the borrower's house payment and the loan servicer is responsible for remitting premiums to the insurer.
A borrower may request cancellation of the mortgage insurance once the balance of the loan has been paid down to 80percent of the original value. Value is defined as the lower of the sales price or the appraised value of the home at the time of loan origination. Federal law requires that mortgage insurance be automatically dropped when a borrower has paid the principal down to 78 percent of the original value.

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Government Insured
FHA allows a borrower to obtain a mortgage with a lower down payment than a conventional mortgage, 3.5 percent. In consideration of the lower down payment, FHA borrowers may pay an upfront mortgage insurance premium, which can be included in the loan amount. The mortgage payment includes a monthly payment for mortgage insurance that may last the life of the loan, contingent on the size of the down payment.

Government Guarantees
HUD 184 is available to eligible American Indians and Alaskan Natives. A down payment of 2.25 percent and a one-time guarantee fee will be charged. The guarantee fee may be financed. The federal government, through the US Department of Housing and Urban Development (HUD), guarantees HUD 184 loans.

USDA/RD is guaranteed by the US Department of Agriculture, Rural Development and is available in most areas of the state, excluding Anchorage, Fairbanks and Juneau. Income restrictions apply and vary depending on the area of the state in which the home is located. Contact your local lender for current eligibility information. Financing is available at 100 percent of value, so borrowers only pay closing costs and prepaid. A one-time funding fee is charged by USDA/RD and may, depending upon the appraised value of the home, be financed. USDA/RD guarantees loans on properties considered modest in nature.

VA is available to eligible veterans who have a certificate of eligibility that, when considered with any applicable down payment, covers 25 percent of the mortgage amount. Most veterans who have not previously used their certificate of eligibility will find that they can obtain a loan with no down payment, provided the purchase price of the home does not exceed VA's maximum loan amount. A one-time funding fee is required and may be included in the loan amount if the appraisal supports it.

Down Payment Requirements

Down payments vary depending upon the type of loan obtained. The minimum down payment required on a conventional mortgage is 5 percent, while the minimum down payment required on a VA or USDA/RD loan is zero. For many borrowers, especially first time homebuyers, the most difficult obstacle to homeownership is saving the money needed to close the loan. The lower the down payment, the smaller that obstacle is. Keep in mind, no matter what the down payment requirement, the borrower will generally incur closing costs.

Mortgage Options

Lenders offer various mortgage programs that have different options. As a prospective borrower, you will want to carefully examine all loan options to determine what options are available to you.

Fixed Rate
A fixed rate loan is just as the name implies. Once your loan is closed, the interest rate is fixed and will never increase or decrease. The mortgage payment will probably change over the years, but the change will be because of an increase or decrease in the real property taxes or the homeowner's insurance premiums. Borrowers with fixed incomes or those who do not expect substantial increases in future years may find a fixed rate mortgage attractive option. For borrowers who expect increases in salary, fixed mortgages may still be advantageous as those increased earnings can be used for retirement planning, college funds or other spending choices.

Adjustable Rate Mortgages (ARM)
Adjustable Rate Mortgages (ARM), sometimes referred to as variable rate mortgages, start out with an interest rate below what's available for a fixed rate mortgage. As a result, a borrower may be able to qualify for a loan, otherwise unobtainable. However, the interest rate is subject

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to change on a regular basis and may go up or down, depending on changes in the index to which the mortgage is tied. An ARM is typically advantageous to a borrower who plans to be in the home for only a short time or for borrowers who anticipate an increase in their earnings sufficient to cover any increase in the interest rate. ARMs typically have caps that limit the change in interest rate at any one interval (payment cap) or during the life of the loan (lifetime cap). Some ARMs allow for conversion to a fixed rate if certain terms and conditions are met. The conversion will generally require payment of a fee by the borrower to the lender.

An ARM may be practical if a borrower believes that he will not be in the home prior to the time the interest rate reaches the rate that would have been available on a fixed rate mortgage. If the borrower believes that the interest rate environment is in decline and expects that rates will be less than the current rate at the time of adjustment or refinance of the mortgage, it may be wise to consider an ARM. For upwardly mobile employees (those just entering the workplace in their chosen career field) an ARM may be attractive since the borrower's income is likely to increase regularly to offset the increase in payments. The success for ARM borrowers depends upon correct assumptions about how long they will be in the home, their potential income and the economy. Some borrowers may find that the risk of incorrect assumptions is too great and opt for a more conservative fixed rate mortgage.

Assumption

One option available on many mortgage loans is the assumption. When a loan is assumable, it is often seen as a marketing advantage, especially during times of rising interest rates. When assuming a mortgage, the buyer takes on the rights and responsibilities of the seller. The buyer agrees to abide by all the terms and conditions of the mortgage, and in turn, the seller agrees to transfer all rights and interest in the mortgage to the buyer. With an assumption, the down payment and closing costs could be slightly less than with a new mortgage. An assumption does not usually require evidence of property value (an appraisal), improvements within the property lines (survey) or well and septic system approval. In an assumption, the seller is not always released of liability on the mortgage. This could be a specific condition of the loan or it could be because you, as the buyer, have credit problems, employment instability, or a loan deficiency that will make you ineligible for a new mortgage. Be sure to find out about the assumable loan requirements of any loan you consider.

Prepayment Penalty

A prepayment penalty may be assessed on certain mortgages. The lender could charge a fee if you pay the loan off prior to the original maturity date of the mortgage. In Alaska, a prepayment penalty is not allowed on one-to-four family, owner-occupied residences. It is however, normally charged on multi-family dwelling mortgages.

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Chapter 2
Money Matters

Chapter 2: Money Matters

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Chapter 2: Money Matters

Costs of Purchasing and Owning a Home

There are many costs associated with owning a home. You will need to have funds accumulated to cover the purchase of the home as well as monthly income sufficient to cover the mortgage payment and all expenses related to maintaining the home.

Upfront Costs
When you decide to purchase a home, there will be many costs involved in the transaction.

Earnest Money Deposit
One of the first costs will be the earnest money deposit. This is money held in trust to show the seller you are committed to purchasing the home under the terms and conditions described in the Earnest Money Agreement. In Alaska, the earnest money deposit is negotiable between parties. (New construction earnest money deposits can be higher.) The deposit is typically held in the real estate broker's non-interest bearing trust account. If no real estate agent is involved, it might be possible to use a trust account either from a title company or lender processing the transaction or by establishing a joint account between buyer and seller at a financial institution. Your earnest money is credited back to you at closing. Look for the credit on your settlement statement!

Down Payment
Typically, the largest up-front cost involved in a real estate transaction is the down payment. The down payment is paid at time of loan closing and is based on the program you are using. As discussed in Chapter 1, there are some programs that do not require a down payment.

Discount Points
A point is typically stated as a percentage of the loan amount, generally 1 percent. Points are paid to the lender in consideration of a certain interest rate. Not all loans require points. Ask your lender whether your loan has such a fee. The payment of points is a one-time cost while the interest rate you pay is long-term. It may be worth it in the long run to pay points to decrease the interest rate, and thus, long-term mortgage payment. Verify the investment makes good economic sense. Also see Loan Level Price Adjustment below.

Loan Level Price Adjustment
A matrix used by Fannie Mae and Freddie Mac to charge adjustment fees based on credit score, property type, and loan-to-value.

Closing Costs
Most mortgages will have closing costs associated with the loan. These costs may be paid directly to the lender for origination, underwriting or document preparation fees or through the lender for payment to a third party. The investor may charge a commitment fee. This fee is typically in payment for a commitment by the investor to purchase the loan at a specific interest rate. Professionals such as appraisers, surveyors, engineers and home inspectors will charge a fee. Title, hazard and mortgage insurance companies will charge fees for their insurance coverage. The recorder's office will have a fee to record loan documents. Miscellaneous fees for registering with the tax service agency or determining whether the property is located within a flood hazard area are also common. A good rule-of-thumb for estimating closing costs is 3 percent to 6 percent of your loan amount.

Prepaid Costs
In addition to the closing costs paid on a loan, you will be required to establish an escrow reserve account for payment of taxes and insurance. These accounts are typically referred to as prepaid. The amount you pay will depend on when you close your loan. In addition to the first year's annual hazard insurance premium, the lender will collect two months of premium costs; up to 30 days interest, depending on the day of the month on which the loan is closed; approximately 7-9 months taxes; and two months mortgage insurance. Additionally, two months homeowner's dues will be collected if you buy a property that has membership in an association.

Home Inspection and Appraisal
While a home inspection is not required for all financing options, a wise home buyer may want an unbiased examination of the home. In this situation, the home buyer would be required to front the cost. In the situation of an appraisal, the buyer may be asked to pay the fee prior to the closing of the loan. If the seller has agreed to pay for the appraisal fee at the time of closing, they buyer may still have to front the cost of the appraisal and get the amount refunded at the time of closing.

Moving and Settling-In Costs
Expenses associated with moving and settling into your new home must be accounted for. These costs could include utility deposits necessary to transfer the utilities into your name and telephone hookups. You may have moving costs or need to purchase new furniture, appliances or decorative items.

Monthly Housing Expense
Throughout the processing of your mortgage loan, you will be advised of the proposed mortgage payment. However, your housing expense will be more than just the mortgage payment. Even though it looks like you qualify for a mortgage payment "on paper", you must be confident that you can comfortably make the payments each and every month while still setting money aside for emergencies, unforeseen housing repairs, future expenses, and your lifestyle.

Mortgage Payment
The mortgage payment consists of principal, interest, taxes and insurance (PITI). In addition to PITI, other fees may be included in your mortgage payment. A wise homebuyer is careful not to take on too much in housing expenses.

Association Fees
Membership in a Homeowners Association is usually required if you are purchasing a home in a condominium or Common Interest Community. Expect to pay monthly dues to the association. The lender will calculate your mortgage payment with the homeowner's dues included to determine your eligibility for the loan. Association fees are collected to pay for maintenance and repairs to common areas such as roofs, exterior walls, parking lots, project signs and the like. Additionally, in some condominiums, hazard insurance is a part of dues since the entire project is insured under one policy. It does not cover personal property and may cover only the building—not the interior of the units. Check with the homeowners association to find out what the policy covers and take steps to insure your personal effects under a separate insurance policy.

Property Assessments
Assessments are generally paid to the local government for improvements to streets, utilities, streetlights, etc. If the home you are purchasing has an outstanding annual assessment for property improvements, which will not be paid prior to closing, your lender will include a monthly assessment in your payment. Be careful when assuming an existing property assessment, since the appraisal on the property most likely takes into consideration the value of the improvements. If your purchase price is equal to the appraised value of the home, you may be paying more for the property than its value. Simply put, total cost is calculated by adding the purchase price to the balance of the assessment.

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Utility Costs

In addition to the deposits you may pay to the utility companies when you move into the home, you will have regularly scheduled utility charges. Most utilities are paid monthly based on your usage of the particular utility. Some utilities, like water, sewer or garbage pick-up, have set fees and may be on a 60 or 90-day payment schedule.

Maintenance and Repairs

As a homeowner, you will face expenses for repairs to your home. You will have to perform regular maintenance to retain or increase its value. Maintenance includes items such as lawn mowing, snow removal, painting and carpet cleaning. Repairs are generally more expensive and time consuming and could include fixing the furnace when it goes out, replacing a broken window, patching a hole in the wall or replacing worn roof tiles. Major repairs include a new roof or replacement of the furnace. Many major repairs can be avoided, or at least delayed, if your home is properly maintained and repairs are scheduled regularly.

Home Improvement

Once you take ownership you may decide your home needs remodeling. If you decide to make improvements to your home, keep in mind what is typical for your neighborhood and what increases the value of homes in your area. While you may feel special having the largest house in the area, the cost of improvements may be more than the increase in value of the home. Home improvements that have a history of increasing home values are additions or improvements to bathrooms and kitchens. Adding car storage will generally increase the value and marketability of your home in Alaska's cold climate.

Alaska's senior population is among the fastest growing in the country. Some improvements may be necessary to meet accessibility needs of persons with physical challenges. An access ramp, wider hallways, lowered door handles and kitchen cabinets, or a mechanical lift may allow someone to live more independently. Improvements to support independent living may make sense.

Research the profile of an "average buyer" to help your home maintain its marketability.

The Importance of Budgeting

A budget is a tool used to understand your finances. In order for a budget to be effective, all members of the family must use it. Bring the entire family into the budget process to teach your children about financial responsibility, meeting obligations and working toward a common goal.

No matter how you've kept your records in the past, you will need receipts for tax planning as a homeowner.

You can't take on the responsibility of a home without a clear accounting of your current and projected monthly spending.

Steps:

1. Start your budget
2. Track and trim expenses
3. Start saving

Getting Started on Your Family Budget

A household budget is a useful tool in determining the sources of your income, the amount of monthly debt and how you spend your disposable income. People have different ways of managing their finances. Some have file folders that contain organized monthly receipts and check stubs. Others may have all the necessary paperwork, but their filing system is flawed. It is hard to find an item among shoe boxes kept in the top of the closet along with receipts from years past haphazardly thrown in with appliance warranties and manuals for the TV. Some

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don't have a clue what they have spent in the past or where their money will go next month. Take control earlier rather than later!

Identifying Your Sources of Debt and Income
Once you have decided to develop a budget, sit down with your family to identify all sources of income and expenses. If you want to be conservative in your income calculation, leave out the Permanent Fund Dividend, gifts from relatives or miscellaneous odd jobs. Never be conservative when calculating expenses!

Developing a Budget

Be sure to include all of your expenses. Listing installment and credit card debt is easy. Counting what you spend on food, clothes, gasoline, movies, dining out and other recreational activities is tough, especially given the dramatic increases in some of these areas. Developing an accurate budget takes time and effort. You will need to keep close track of all you're spending. Document all expenses, cash, checks, and credit card purchases to better understand your spending habits. Don't forget about occasional expenses like quarterly car insurance, car registrations, trips to the veterinarian or other such incidentals.

Tracking and Trimming
Make sure you keep an accurate checkbook. Before filing bank statements in a drawer, reconcile them to your checkbook. Do you recall the last time you successfully balanced your checkbook? You can track credit card statements to see where you are spending money and if you are using your credit card to cover income shortfalls. If you have to use your credit cards to meet daily living expenses something is wrong. Be sure your budget includes a deposit to savings each month. When purchasing a home, expect unforeseen expenses. If you do not budget and save, you will have difficulty paying for repairs and/or maintenance when it is needed.

Make regular adjustments to your budget. If you spent more than you had budgeted for food, trim your entertainment budget to offset the food overage. Be careful not to use funds that you have budgeted for periodic payments such as car insurance. Make adjustments only from one discretionary expense to another so, when the time comes, you will have funds set aside for those items that require immediate payment.

Each month, track your figures in the various budget categories. Where did you spend more than you budgeted? Where did you spend less? If you spent more than you budgeted on food last month, you will need to spend less than budgeted the following month. Keep year-to-date totals for each category. If you have budgeted correctly, you should be able to add to your savings each month. You might be amazed at what your savings account balance is at the end of the year.

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Budgeting Sheet

You control your money or it will control you. A budget is a system of tracking your expenses that allows you to choose to spend your money on the things that are important to you.

Keep an accurate accounting of expenses during the months to come. This worksheet should be used to track fixed and discretionary expenses. Use it to trim expenses.

Spending Category	Estimate	Six-Month Actual Spending						YTD +/-
Savings								
Monthly Housing Expenses								
Rent/Mortgage								
Taxes								
Renters or Home Owners Insurance								
Repairs (Maintenance)								
Other								
Utilities								
Nat Gas/Propane/Heating Oil/Wood								
Electric								
Waste/Water								
Trash								
Telephone and Cell Phone								
Cable/Internet								
Food/Groceries/Dining out								
Monthly Child Care Expense								
Day Care								
Child Support								
After School Activities								
Tuition/School Expense								
Clothing								
School Lunches								
Sports								
Allowance								
Vehicle Expenses								
Vehicle Payment/Lease								
Gasoline / Diesel Fuel								
Maintenance & Repairs								
Insurance								
Vehicle Registration/Tags/Inspections								
Payroll Deductions								
Retirement Funds								
Medical Insurance								
Other								
Life Insurance								
Transportation								
Bus								
Taxi								
Church and Charity								
TRACKING SHEET SUBTOTAL:								

Spending Category	Estimate	Six-Month Actual Spending						YTD +/-
Health Care (Not paid by insurance)								
Medical Care Visits								
Pharmacy								
Vision / Dental								
Other								
Entertainment								
Fitness Club								
Internet								
Theatre/Concerts								
Music								
DVD Rentals								
Book /Magazine Subscriptions								
Laundry and Dry Cleaning								
Vacations								
Airfare								
Car Rental								
Hotel/Motel								
Dining								
Entertainment								
Other								
Birthdays/Holidays/Anniversaries								
Gifts								
Parties								
Decorations/Cards								
Continuing Education/Higher Education								
Tuition								
Books								
Room and Board								
Other								
Job-Related Expenses								
Union Dues								
Uniforms								
Occupational Licensing								
Furniture & Appliances								
Personal Spending								
Clothing								
Haircuts								
Alcoholic beverages								
Cigarettes								
Recreational Activities								
Stuff								
Other								
Emergencies								
Goals								
Other (List separately)								
TRACKING SHEET SUBTOTAL:								
TOTAL OF BOTH SHEETS:								

Developing a Savings Plan

Trimming your expenses is critical; but whatever you do, don't trim your savings. Once you become a homeowner, a savings account to fall back on is critical. Have money set aside to cover the increased expenses associated with homeownership. Set aside a certain amount each payday to add to your household savings account. This account should be in addition to any savings account established for future expenses and family recreation. Make a family pact that the money in the household savings is sacred. Use it only for emergencies.

Facts on Credit Reports

A credit report details your past and current credit obligations. In addition to your credit history, the report lists current and past employers, current and past addresses, our social security number, and items of public record, such as divorces, judgments or collection accounts.

Order a free credit report
www.annualcreditreport.com

Obtaining Your Credit Report
Review your credit report at least twice a year to check and correct errors or problems. There are three credit repositories which are shown as follows:
Each month, track your figures in the various budget categories. Where did you spend more than you budgeted? Where did you spend less? If you spent more than you budgeted on food last month, you will need to spend less than budgeted the following month. Keep year-to-date totals for each category. If you have budgeted correctly, you should be able to add to your savings each month. You might be amazed at what your savings account balance is at the end of the year.

Equifax:	Experian:	TransUnion:
www.equifax.com	www.experian.com	www.tuc.com
PO Box 740241	PO Box 2002	PO Box 34012
Atlanta, GA 30374	Allen, TX 75013	Fullerton, CA 92834
800-685-1111	888-397-3742	800-916-8800

Figure 2: Credit Repositories

The Fair Credit Report Act requires each of the three credit repositories to provide consumers with a free credit report once every 12 months.

While the credit report is free there may be a charge to obtain your credit score. Beware of other sites that may look and sound similar.

Credit Scores
Many lenders, including Alaska Housing, evaluate your credit by use of credit scores. A credit score is a summary of a borrower's credit report and numerical measurement that reflects a borrower's management of credit.

The credit score is calculated from your credit report. This data is grouped into five categories as outlined below. The percentages in the chart reflect how important each of the categories is in determining your score.
Both positive and negative information is considered. Late payments will lower your score, but establishing or re-establishing a good track record of making payments on time will raise your score.

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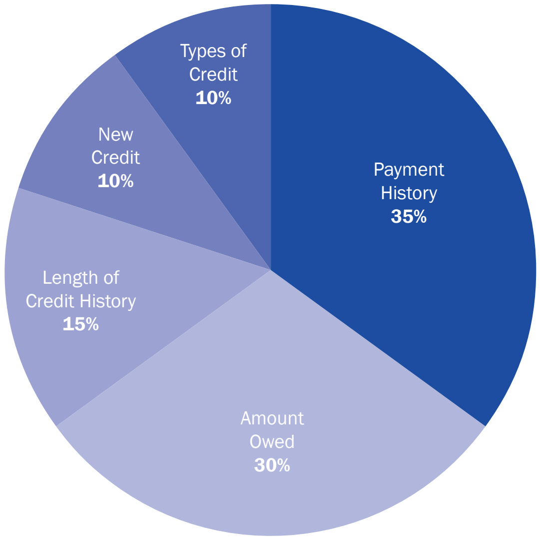

Figure 3: Credit Score Breakdown

Payment History
Considers how well you have paid past credit obligations.

Amount owed
This considers the amount you own on specific types of accounts, such as credit cards and installment loans. A larger number of accounts with balances may indicate a higher risk. Additionally, a comparison is made between the original amounts to the remaining balance of installment loans.

Length of Credit History
In general, a longer credit history will increase a credit score. The credit score takes into account the length of your credit history, including the age of the oldest account, the age of the newest account, and the average age of all accounts.

Types of Credit
The score considers a mix of various types of credit.

New Credit
The calculation looks at whether several credit accounts were opened within a short period of time. It can be indicative of a greater risk, especially with those who have a shorter credit history.

Inquiries
Each time you apply for credit, the lender checks your credit history. This is called an inquiry and is recorded on your credit report. The number of inquiries on your credit report is taken into consideration when a mortgage lender reviews your report. Have you recently increased debt? Have you been turned down for credit at another institution? These questions must be answered to the lender's satisfaction before a loan approval will be granted. Don't let the concern about inquiries stop you from shopping around for a lender when you are making application for a mortgage loan.

Disputing Information on Credit Report
Sometimes problems shown on a credit report are the result of errors or misunderstandings. It helps if you have corrected these errors prior to a report being prepared for a lender. If you spot an error on your report, contact the creditor and reporting agency. You will generally need to talk to the creditor's billing or accounting department and ask that they correct the error immediately. Be prepared to provide proper documentation to support your assertion that an error has been made (paid receipts, etc.).

Hint: Send your dispute letter by certified mail, "return receipt requested" and save copies of all enclosures for your files.

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Fraud Alert Statements
90-day Security Alert: A security Alert may be added when you suspect that your identification information is being or could be used in a fraudulent manner. This service allows you to add temporary 90-day security alert message to your report alerting credit grantors to verify identification in case someone is using your information without consent.

7-year Victim Statement: A 7-year Victim Statement may be added to request that potential creditors contact you by phone before issuing credit in your name. Victim Statements are generally added when you have confirmed someone is using your identification information in a fraudulent manner. You will need to write a request to the credit report agencies.

Go to Federal Trade Commission at www.ftc.gov/idtheft

Stop Unsolicited Offers
To stop unsolicited offers of credit and insurance, call 1-800-5-OPTOUT (1-800-567-8688).

Visit the Opt Out website at www.optoutprescreen.com

Traditional vs. Non-Traditional Credit
If you are like many mortgage borrowers, a traditional credit report can be obtained because you have past or present accounts with traditional creditors, such as banks, credit card companies, department stores or mortgage companies. When you have traditional credit, the creditor (lender) reports your account to various credit repositories.

If you have not yet established traditional credit accounts, you may still be eligible for a mortgage loan. The lender can verify timely payment of non-traditional credit such as rent, utility payments, and accounts with a small business or other forms of credit not reported to the credit repositories.

Correcting Credit Problems

There are two primary types of credit problems: lack of credit or poor credit.

Lack of Credit
Start by applying for a standard or secured credit card, making sure to shop for the best interest rate and term. Make purchases as usual when you have the money set aside to pay for them. When the credit card bill arrives, pay the balance in full. In doing so, you pay little or no interest on the credit card debt and have taken steps to establish good credit.

Poor Credit
If you have a credit history that reflects a problem with making payments on time, you can take steps to repair the damage caused. It will take time to correct issues, so don’t be impatient with your efforts. Credit counseling agencies can help you set a plan for repairing damage to your credit. To start, you will have to bring past due accounts current and pay any outstanding collection accounts.

How you handle a checking account is also a demonstration of your credit worthiness. If you have had checks returned for insufficient funds, you have not handled your credit obligations responsibly. You will need to demonstrate that you are now managing your checking account responsibly and that you have had no returned checks in the past several months.

As with the development of your family budget, correcting poor credit will take discipline. Trim expenses and direct funds to your credit accounts. If your credit problem is in the past and you are not currently delinquent on your accounts, you must make every effort to stay current. Give yourself time to demonstrate to a potential creditor that you are now able to meet your financial obligations.

In addition to contacting a credit counselor, you may begin the process of correcting poor credit by making direct contact with each creditor and explaining your financial situation. Send a letter/email to the creditor outlining your plan for correcting the problem. If possible, include a payment.

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If your credit problem is the result of a specific problem that will not be expected to reoccur, write a letter to explaining the reason for your delinquencies. Ask that a copy of that letter be included with any future credit reports. Professional assistance when preparing to obtain a home loan can correct your credit problems (typically through a nonprofit credit-counseling agency).

When preparing to obtain a home loan, be prepared to provide the lender with a written explanation of credit delinquencies. If the lender can determine the delinquency was the result of a one-time, unavoidable incident such as a medical emergency, closing of the business where you were employed or a job injury, you may be able to qualify for a loan. If, however, it appears that the delinquencies were the result of poor financial management, it will generally take at least one year to re-establish an acceptable credit history.

Whatever the reason for the delinquencies or insufficient checks, it is up to you to repair the damage and to do it sooner, rather than later. Lenders and credit counselors can help you establish a plan for correcting the problem, but the actual correction is solely in your hands.

Applying for a Mortgage

Making an application for a mortgage loan can be intimidating and sometimes frightening. Be prepared to provide the lender with the necessary documents and information, and the process can be easy. Through the mortgage application process, you will develop a business and personal relationship with your loan originator. As with a mortgage prequalification, use the checklist below to gather your documents for the lender.

If you have gone through the prequalification process, you are already familiar with many of the documents you will need to provide the lender; otherwise the following will help you through the mortgage-lending maze.

Loan Interview Checklist

Check off each item as you prepare for your loan interview

- ☐ Obtain a copy of your current credit report
- ☐ Review credit history and prepare corrections or explanations
- ☐ Obtain cost estimate worksheets from the lender

Assemble documents below and have them available for your lender

- ☐ List of your available cash (include names of depositories plus account numbers and approximate balances)
- ☐ List of current debts (list names of creditors plus account numbers and approximate balances)
- ☐ List of all employers, positions, and salaries for previous two years
- ☐ Purchase and Sales Agreement or Earnest Money Agreement
- ☐ Personal check for application fees
- ☐ Last two years' tax returns (including supporting schedules and W2 forms). If applying for a first-time homebuyer loan, provide last three years tax returns.
- ☐ Copies of last three months' of bank statements
- ☐ Year-to-date Profit and Loss Statements and current Balance Sheets (for self-employed borrowers)
- ☐ Copies of stocks or bonds that you plan to use for closing
- ☐ Copy of Driver's License or State ID card
- ☐ Copy of or 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)
- ☐ Other: ____________________

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Documentation for the Lender
Gather important financial and personal documents for your first appointment. Have your last two years (three years if you are a first time homebuyer) tax returns, including all supporting schedules and W2 forms. Have a copy of pay stubs that cover the most recent 30 days. Have copies of your most recent three months bank statements. Have a list of all creditors and depository institutions that includes the name, address and account number. If you are self-employed, you will also need to provide a current balance sheet and profit/loss statement. Have copies of divorce decrees, property settlement agreements, bankruptcy papers and any other documentation you think may be beneficial to the lender in their review of your application.

Completing the Mortgage Application
The application form used by most mortgage lenders gives the lender a complete picture of your employment and residence history; your current assets and liabilities; and owner information used to ensure compliance with the investor, such as owner occupancy or compliance with the federal government, such as national origin and sex.

Be honest when you complete your application. Don't leave out assets or liabilities because you think it may improve your chance of loan approval. Withholding information can work against you and reduce your chance of loan approval. It is a federal offense to knowingly provide incorrect information on a mortgage application.

While the mortgage loan application may appear cumbersome, the lender will walk you through the process and help you complete the form as completely and accurately as possible. Remember that the key to successfully completing a mortgage application is honesty.

The mortgage application will begin with personal information, such as age, marital status, number of dependents and years of schooling. Provide residence addresses for the previous two years, the name and address of your current employer, as well as your position, wage and length of employment. Provide the same information for previous employers if you have not been on your current job for at least two years.

You will be asked to provide the amount of your current housing expense. This is used to compare your current expense with the proposed mortgage payment. This area of the application will provide the lender the information needed to determine whether a potential for "payment shock" exists. This occurs when you take on a mortgage payment that is significantly higher than your current housing expense. The lender will review your liquid assets to determine whether you have a history of putting funds into a savings account monthly or if you appear to be spending all your disposable income on intangibles such as recreation, vacations or dining out. How you spend disposable income speaks to your ability to discipline yourself and plan for future expenses. If you have been unable to accumulate savings when you have had a low cost of housing, the lender may question how you will manage such an increase in your housing costs.

You will be asked to list all your assets and provide names, addresses and account numbers of each depository institution. Your assets include all you own, not just what you need for closing. List any stocks, bonds, IRAs, 401k accounts, employer retirement accounts, insurance policies or certificates of deposit. Separately, you should list cars, boats, motorcycles and other recreational vehicles owned. Personal property such as furniture, art, jewelry or other household goods can be combined and listed with one value in your list of assets. The value of an asset is not what you paid for it, but what you believe you could obtain if you sold it.

Next, you will be asked to provide an accurate list of all your debts. Include names, addresses and account numbers of your creditors. Creditors include any bank, mortgage company, finance agency, credit card company, department store and individual that carries a note. Child support and/or alimony payments may also be listed in the liabilities section. Expenses for utilities, car insurance, daycare and the like are not listed because, while these expenses have an impact on how much disposable income you have, they are not counted in the lender's calculation of total debt.

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In the final section of the application, you will be asked to answer questions about items such as US citizenship, prior bankruptcies and your intent to occupy the property. Prior to signing the application, you will be asked to provide voluntary information about your sex and national origin. This is information used by the federal government to insure compliance with the Equal Credit Opportunity Act (ECOA) and in determining whether a lender is discriminating against borrowers of a certain race or sex. You do not have to provide it, but if you don't, the lender is required to make a visual determination.

Good Faith Estimate & Truth-in-Lending (TIL) Disclosure Statement
The lender will prepare a Good Faith Estimate (or Estimate of Costs) within three days of a completed application. Lenders are required by law to provide you with a preliminary Truth-In–Lending (TIL) statement, which shows you the estimated cost of the loan, including the annual percentage rate (APR). The lender will provide you with a booklet regarding settlement costs and other helpful information.

Lender's Verification of Facts
Once you have completed the application, the lender verifies credit, deposits, employment, rental payments to anyone you might have established credit with. A direct verification of credit is not generally required if the account is reported by a credit reporting agency. Verifications for credit and employment must be sent directly by the lender and returned to the lender by the addressee.

The lender will order an appraisal of the home to determine the adequacy of the collateral for the loan. The lender may order verification of whether the property is located in a designated flood hazard area. If it is determined that flood insurance is required, you will have to provide evidence of coverage at the time of closing.

While the lender is working on your loan, the seller and/or real estate professional will also be gathering information and documentation to provide to the lender and/or appraiser. This may include the survey, well and septic approval or resale certificate for a condominium or planned unit development.

Hint: A lender may re-verify qualifying information up to closing

Mortgage Loan Underwriting

Once the lender receives all the verifications and property documentation, a mortgage underwriter will review the file. Underwriters are trained mortgage professionals who review the loan file for eligibility. (Remember that the lender is typically originating a loan for sale to an investor, not to be held in its own portfolio. Each investor has program guidelines and criteria that the underwriter compares to your application). The underwriter is making determinations based only on the paperwork in your file. It must provide clear verification of the information in your application.

The Four "Cs" of Credit
In analyzing a mortgage loan application, underwriters commonly use the "Four Cs," that includes Credit, Capacity, Capital and Collateral. Credit looks at your history of meeting your obligations. Capacity reflects the amount and stability of income you have compared to the amount of debt. Capital looks at the amount of cash you have to close the loan and maintain a reserve account to cover moving and settling in costs and any unforeseen expenses.

Collateral means that the value of the property must support the outstanding loan balance in the event of a foreclosure.

Employment
The underwriter will review verifications of employment, previous tax returns and current pay stubs to determine whether your income is stable and sufficient to support the proposed mortgage payment plus your monthly debts. Stability of income is based on the length of time you have been on the job, your previous work history and your employer's statement of probability of continued employment. Sufficiency of income is based on a calculation called

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a payment ratio. Based on the type of loan, your payment ratio cannot exceed a certain percentage of your gross monthly income. (See the section below for specific qualifying ratios on various type loans.)

The underwriter may require additional information to determine if your income is stable and sufficient to support the proposed debt. Be aware you may need to work longer or have increased income before a loan can be granted. So, obtaining a prequalification may bring greater peace of mind.

Qualifying Ratios
The housing payment ratio is calculated by dividing the mortgage payment by your gross monthly income. The total debt ratio is calculated by adding all your monthly debts (with a term exceeding 6 months) to the mortgage payment and dividing that total by your gross monthly income.

Type of Loan	House Payment Ratio	Total Debt Payment Ratio
Federal VA	41%	41%
FHA	31%	43%
USDA-RD	29%	41%
HUD 184	41%	41%
Conventional	28%	36%

Table 1: Debt-To-Income Ratio Guidelines

It is important to note that VA and HUD 184 loans have only one payment ratio that includes your total obligations and the mortgage payment. If you have no outstanding debt, you will be able to qualify for a higher loan amount; however, caution should be used in taking on a mortgage payment that is at or near the maximum ratio allowed since any future debt could prove difficult to handle.

Credit
The lender will analyze your credit by reviewing your credit report, direct verifications of credit and bank statements. Derogatory items on your credit report would be late payments, judgments, collections, or returned checks for non-sufficient funds (NSF). The underwriter will determine if these items were a result of a time occurrence or if there is a pattern of mishandling financial responsibilities.

If the underwriter determines that you generally handle your credit in a responsible manner, you may be asked to provide explanation regarding delinquencies, NSFs or collections.
If the reason for the delinquency was the result of a non-recurring event, such as illness, death in the family, loss of job or temporary disability, the underwriter will ask you to provide information and documentation to support that the event is unlikely to reoccur. If you have an outstanding collection or judgment, you will be required to clear the account through payment in full or settlement with the creditor.

If the underwriter determines that your credit problems are the result of an inability to manage funds or an unwillingness to handle financial obligations responsibly, your loan application will probably be denied. It will be recommended that you seek credit counseling and take steps to cure any delinquencies or pay outstanding judgments or collections in full. You will be asked to demonstrate over a period of time that you are able and willing to meet financial obligations in a responsible manner.

Available Funds to Close
The underwriter will review verifications of deposit and bank statements to determine that you have sufficient funds to close the transaction. If you are receiving a gift for the down payment from a relative, a gift letter and verification that the funds have been provided will be required.

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Verifications of deposit will show your current account balance and the average balance over the prior 2 to 6 months. If the average balance is considerably less than the current balance, you will be asked to provide an explanation of the source of funds. Verification is necessary to ensure that available funds are unencumbered assets and not the result of recent debt. The underwriter will generally require that you have verified funds sufficient to cover the down payment, closing costs and prepaid, as well as a reserve equal to two month's worth of mortgage payments. The reserve is required in order to help you meet the cost of moving into your home or paying for unforeseen expenses.

Appraisal

Adequate collateral is the key ingredient for loan eligibility. Even though the lender looks to you to make the mortgage payments on time, they also look at the worst-case scenario – foreclosure. The underwriter evaluates the property by reviewing an appraisal prepared by a licensed residential appraiser. The appraiser is hired by the lender to inspect the home and make an assessment of the property's condition and marketability. To do this, the appraiser takes several approaches to value, which includes the cost approach, market approach and income approach. In most single-family sales, the income approach is not used because it is not applicable to the type of property being appraised.

Cost Approach: an estimate of the property value based on the cost of the land, site improvements and the replacement cost of the building improvements, less any depreciation for wear and tear or adjustments for functional, physical or economic obsolescence. The cost approach may be the best indicator of value if the property is located in an area where homes have not undergone recent resale, or if demand for housing is so high buyers of existing homes are paying more for the home than it will cost to build new.

Market Approach: generally is the best indicator of value in a single-family appraisal. In most cases, the value of a home is simply defined as the amount a buyer is willing to pay and a seller is willing to accept, with neither party being under undue stress to complete the transaction. The market approach compares the home you are purchasing with similar properties in close proximity that have generally sold within the past few months.

An appraiser briefly inspects the home, viewing the condition of the property and neighborhood where the home is located. The functional utility of the home will be assessed. The appraiser is required to comment on evidence of any environmental hazards or issues related to property lines, easements or encroachments.

An appraisal report may be completed in one of three ways:

1. "As-is" if there are no conditions to be met before the appraised value is effective;
2. "Subject to completion" if the property is under construction; or
3. "As repaired" if the value is subject to completion of certain repair items.

Evidence of Clear Title and Property Boundaries

The mortgage underwriter or loan closer will review a survey of the property to determine whether the property improvements are situated within the property lines. The as-built survey will provide the location of the well, septic and other improvements such as fences and detached outbuildings. If an improvement encroaches (spills over) on another property, the underwriter will determine whether the encroachment is acceptable. Consideration will be given to whether the encroaching improvement adds significant value to the property.

For example, take a fence encroaching onto the neighbor's yard. If the fence were removed, the value of the property will, in all likelihood, remain the same since a fence typically adds little monetary value to the home. If, however, the house itself encroached onto the neighbor's property, the impact on value will be severe. A perpetual lifetime easement will be required from the neighbor for the piece of property needed to support the structure. Local governmental regulations will also need to be reviewed for compliance. Yet another solution might include purchasing the affected property and re-platting to correct problems. As-built surveys are valuable documents in noting issues such as these in real estate transactions.

Notes

A preliminary title report is reviewed by the underwriter or loan closer in order to determine what liens, if any, are filed against the property. The preliminary title report cites the property owner's name and legal description of the property. The lender's representative determines which liens and encumbrances are acceptable and which must be paid in full prior to loan closing.

The Underwriting Decision

Once the underwriter has reviewed the entire loan file, including terms and conditions of the Purchase and Sales Agreement, your loan application will be approved or denied for financing under a specific loan program. The underwriter will determine which loan programs best fit your income, credit worthiness and location of your home. If it is determined that your application for a loan is credit worthy, but your loan application does not meet the established criteria of a particular loan program, the underwriter will seek a source of alternative financing for you. If it is determined that your application meets all requirements of the loan program for which you originally applied, the loan approval will be granted and the loan file will be forwarded to the applicable mortgage insurer and/or investor. Once approved by the insurer and investor, the loan file will be transferred to loan closing, where the final step of the mortgage loan application process will begin.

Notes

Chapter 3
The Home Purchase

Chapter 3: The Home Purchase

Alaska Housing
FINANCE CORPORATION

Notes

Chapter 3: The Home Purchase

The Role of the Real Estate Licensee

Purchasing a home can be traumatic. The process can be made easier by enlisting help of a real estate professional who can help define and clarify your priorities; educate you to local market conditions; possibly negotiate the terms of sale; address your fears and concerns; guide you in making the right decisions; and help locate lenders and show you homes in your price range with the features you requested. Your real estate licensee can answer questions and set your mind at ease about the decisions you make. Your licensee will help protect your interests and insure that you receive the proper disclosures about the property and financing.

Real estate brokers and their licensees must present all offers promptly to the seller or their licensee. They must respond honestly and accurately to questions concerning the property and offer the property without regard to race, color, sex, religion, familial status, disability or national origin. They must disclose to you any working relationship they may have with each of the principal parties in the transaction. Real estate professionals have the fiduciary duties and responsibilities of reasonable care, undivided loyalty, confidentiality, full disclosure, accountability and obedience to you, their client, and the “principal.”

Types of Representation
Alaska real estate licensees are required by law to provide clients and customers a copy of the Alaska Real Estate Commission Consumer Pamphlet that outlines the duties of a real estate licensee. It outlines the duties including exercising reasonable skill and care, dealing honestly and fairly, presenting all written communications in a timely manner, disclosing all material information regarding the physical condition of the property and accounting for all money and property received, owed by a licensee in all relationships. Your signature is your acknowledgment of receipt and understanding of this pamphlet. This disclosure pamphlet is not a contract.

There are four types of relationships under Alaska Real Estate Law.

1. Specific Assistance without representation. (An example will be the licensee represents the seller but will offer assistance to a buyer who wants to buy the property).
2. Representation is when a licensee will represent a buyer or seller.
3. A Designated Licensee (is a licensee may) represent or provide specific assistance to a party in a transaction while another licensee within the same company represents or provides specific assistance to the other party in the same transaction.
4. A neutral Licensee cannot represent either party but provides specific assistance to both parties in the same transaction. Both parties must authorize the neutral licensee relationship by signing a “Waiver of Right to be Represented”.

Shopping for a Real Estate Licensee
Selecting a real estate licensee is a matter of personal choice. Recommendations from family and friends may help. AHFC recommends interviewing prospective licensees and asking them the same questions in order to compare information. Sample questions include:

- How long have they been in the real estate sales profession?
- How many listings they have and how many homes they have sold in the past year?
- Whether they are full-time or part-time
- What credentials they hold. Many professionals have earned credentials you may find valuable, including: Graduates of the Real Estate Institute (GRI); Council Residential Specialists (CRS); Council Residential Brokers (CRB); and Accredited Buyer's Representatives (ABR), among others.

Assuming that all licensees you interviewed are qualified, you will want to establish a relationship with one with whom you feel comfortable since you will be working with this individual for some time, possibly months. You should feel good about your choice.

For Sale By Owner (FSBO)

In a "For Sale by Owner" transaction, the buyer and seller must assume the duties of the real estate professional. The home buying process is the same with the exception that both parties are now responsible for obtaining and delivering all required documentation for the transaction. Decisions will have to be made such as who will hold the earnest money deposit. You may want to consider having an independent third party, such as a title company, hold the earnest money. The buyer and/or seller will also be responsible for contacting home inspectors, energy raters, insurance agents, contractors, engineers, title companies, real estate attorneys or other professionals whose services might be needed as part of the transaction or to resolve issues that arise. You should be comfortable with this choice before pursuing home ownership without counsel.

Shopping for a Home

When looking for a home to buy, you are wise to set your limit before you start looking as this will help avoid looking at homes that cost more than you feel comfortable spending. It is difficult to settle for a home that costs $200,000 when you have been looking at homes in the $300,000 price range. Do not become frustrated or waste others' time by viewing homes that are obviously out of your price range.

Energy prices have increased significantly over the last few years. Make sure to evaluate the costs associated with the home you are contemplating buying. Have you had an opportunity to review your seller's energy usage and costs for the last 12-month period? If not, be sure to ask for those documents. Did the seller reside in the home full time? Did they keep the thermostat about the same temperature, as you will? Did the seller supplement their heating with wood, and if so, do you plan doing the same? Do you know the energy efficiency of the home you plan to buy? Lastly, also consider the location of your new home in relation to your overall commuting needs. How far will you be commuting each day after you move for work, shopping, school or family activities? Will this be more or less than what you are paying currently given the higher costs associated with gasoline and diesel fuel today?

Home Affordability
If you have developed, and are tracking your budget, and have gotten prequalified for a loan, you have a pretty good idea how much you can afford. If you have gone through a lender's prequalification application, you know what size loan you can obtain. Remember that your housing expense consists of more than just a mortgage payment. Obtain information from the real estate licensee, seller or utility company about utility bills to learn how much you can expect to pay each month. Ask the seller or the licensee about the age and condition of the appliances and major components such as the furnace and roof. Ask about recent repairs to the property. Take steps to gain a reasonable indication of what your monthly costs will be on a particular home, taking into consideration appliance replacement expenses or repairs that may be necessary. You may also consider a home inspection, which is an action AHFC highly recommends.

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Finding a Home to Meet Your Family's Needs

Finding the right home for you and your family takes time. Before you begin viewing properties, have a plan of what you need and want. Know what you want and need before you begin the home viewing process and have a plan for viewing homes. Listen to friends, family members and real estate licensees about past experiences.

The decision to buy a home represents a major commitment and should be a decision based on the wants and needs of all family members. Do you need a home with three bedrooms or will two suffice? Do you need a home with a garage or will a carport do? Is one bathroom enough? Is the location critical to your decision? Before you start shopping for a home, know what you want to buy. Know the price range and the amenities you desire. Take into consideration not only your immediate needs, but also future needs. Is your family still growing? Will children soon be moving out of the home? Is entertaining friends or clients an important part of your life? Before you begin to shop for a home, create a list of needs and wants and prioritize each. What is a must and what could you live without?

New vs. Existing Properties

When you think about buying a home, you may have a type of property in mind. Is it a newly constructed home, in which you can choose the color of the carpet, the interior and exterior paint as well as landscaping? Or is it an existing home that is tastefully decorated with a mature lawn; one that has withstood the test of time?

New Home

If you are buying a new home, ask the seller (builder) for copies of all warranties related to appliances, heating and plumbing systems. Ask for a builder's warranty that insures the adequacy of certain components of the house for a period of time. {AHFC requires all new homes meet certain minimum energy and building standards. They must also have the minimum required inspections.} To insure that your home is eligible for financing under any loan program, make sure that your new home meets these standards. When you sell your home, you don't want to limit your pool of buyers by excluding those buyers who may need AHFC's financing. Although not required by law, ask the builder to provide you with a Seller's Disclosure detailing information the seller may have about the property on which your home is built or any defects known in the home. Ask the builder for a Sellers Disclosure Statement detailing information they may have on the property or any defects known. This is not required by law but may help you develop your punch list. Be sure to complete a thorough punch list of items the builder needs to complete or repair. If your warranty is for one year, make sure that the builder is taking the necessary steps to complete the work in a professional manner within that time.

Existing Home

If you are buying an existing home, it is wise to have the home inspected and to obtain a copy of the seller's property disclosure. Review these documents carefully to insure that you are fully aware of the condition of the many components that make up the home. Review the preliminary title report to find out about any covenants, conditions and restrictions (CC&Rs) recorded. Read the CC&Rs carefully to understand the limitations and responsibilities that will be placed on you as a homeowner in the subdivision. If the seller has not already done so, consider having an energy rating completed on the home. With this rating you will know the energy efficiency of the home and ways to increase the efficiency if necessary or desirable, and you will also learn the potential Home Energy Rebate you can achieve and savings that can occur by making modest improvements.

Condominiums and Common Interest Community

When you purchase a home in a condominium or a common interest community, you buy your own specific unit, as well as a membership in the homeowners association. As a unit owner, you have a percentage ownership in the association common areas. These are items such as exterior walls, roofs, parking areas, fences, signs, recreational areas, airstrips or greenbelts. As a unit owner and a member of the association, you pay a fee to the association for items such as insurance, maintenance and repairs, supplies, legal fees, accounting fees and replacement reserves. In a condominium you generally purchase the "air space" within the unit and are required to maintain the interior of the unit. The exterior of the unit is often owned in common

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with the other unit owners and is maintained by the homeowners association. In a common interest community, you purchase the land on which your unit is situated and maintain the interior of the unit. You may be responsible for exterior maintenance or the homeowners association may take responsibility. The rights and responsibilities of the individual unit owners and the association are spelled out in the Articles of Incorporation, Declaration of Covenants and Conditions and Bylaws of the Association that you should receive a copy of, and be comfortable with, prior to loan closing.

When buying a newly constructed unit in a condominium or common interest community, the seller is required to provide you with a copy of the Public Offering Statement. This statement details the developer's plans for the project, including the number of units, number of phases and scheduling for the project completion, percentage ownership by individual owners and amount of proposed homeowners dues. You have 5 days to review the statement and either continue with the purchase or withdraw your offer.

In purchasing an existing unit within a condominium or common interest community, you will be provided a resale certificate. You will then have 5 days in which to continue with the purchase or withdraw your offer. The resale certificate provides you with information about the financial strength of the homeowners association, the management of the association, whether there are any suits or judgments against the association, and what maintenance or improvement projects are planned or underway and other information that may help you be an informed purchaser.

Shopping Tips

Sources of Leads
If you are working with a real estate licensee, you will have access to information about the majority of homes on the market. Talk with family, friends and neighbors, as they may know people who want to sell their home. Look for "For Sale" signs in areas you like and watch both newspapers and real estate publications for new listings. Various Internet sites, including Alaska MLS, have information about homes for sale in your area too.

www.alaskarealestate.com is the public side of the Multiple Listing Service (MLS)

Location
Pay particular attention to the home's location and identify what is important to you. Are nearby schools important? Do you need close access to public transportation? How far is the home from your workplace?

Amenities
Approach each home viewing using a system of pros and cons to evaluate the property. Have a checklist of amenities that are important to you and make notes about the ability of each home to meet those desires. You will probably view many homes before you settle on one, so keep detailed descriptions of each home. List the pros and cons of each home.

Take steps to become a knowledgeable buyer. Know what is happening in your market. Check real estate websites, read newspapers, and real estate publications. Take weekend drives to tour open houses.

Ask questions. A real estate licensee should be able to answer most questions you may have.

Try not to be too excited when you find your dream home. Don't talk too much or post to social network sites – the information you share could work against you in a negotiation. The seller may not be as willing to negotiate price, terms or contingencies.

Do let the seller know if something is unacceptable – whether it is the terms of sale, the condition of the home or the timing of the closing. Real estate transactions usually involve some give and take to make the purchase acceptable to both parties.

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If you are looking at buying a home with a partner, make sure that both of you are involved in the decision making process. Buyer's remorse is a common occurrence when you are dealing with a transaction as large as a home purchase. Like wedding jitters, this remorse eventually goes away; however, if you have not agreed upon the decision to purchase, the remorse may never go away. When you sign an offer to purchase, you have a legal obligation to comply with the terms of the agreement.

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Making an Offer on a Home

Be prepared for the seller to accept your offer. Don't make an offer anticipating a rejection from the seller or if you are not prepared to carry through with the purchase. When you get to the point of negotiating terms of the purchase, remember that each transaction will have some give and take by both buyer and seller. Try not to get caught up on minor details that will not make or break your decision to purchase. Once you have made the decision to purchase a property, be confident.

When you are prepared to make an offer be sure that you are comfortable that you know how much you can afford and how much you want to pay.

How Much Can You Pay?
If you have not been prequalified for a mortgage by an Alaskan lender, you should do so immediately. The pre-qualification will assist you in determining how much you can afford based on your monthly income. A good rule-of-thumb is that you should be able to support a mortgage payment on a home that costs 3.0 times your verified annual income. For example, if your annual income is $50,000, you should be able to afford the payment on a home selling for $150,000. This rule-of-thumb applies only if interest rates are reasonable, and if you're monthly debts, exclusive of housing, are within reason, no more than 8 percent to 10 percent of your monthly income.

State of Alaska Property Disclosure
The State of Alaska requires that before you make an offer on an existing property, the seller must fully disclose the legal status, condition and compliance with local ordinances of the property.

- Among other things, the disclosure addresses the presence of various built-in items such as garbage disposals, washer/dryer hook-ups, automatic garage door openers, smoke detectors, fire alarms, security systems, rain gutters and any number of items which will be considered permanently affixed to the structure.
- The seller is required to address the presence of certain housing components, such as water and heating systems.
- The seller must provide information about the sewage and water supply, whether they are private or public, incidence(s) of failure during the seller's ownership of the property, location of the septic and leach field, distance between the well and septic and the approved capacity of the system.
- The disclosure addresses structural components of the house such as walls, floors, roofs, windows, crawl spaces, plumbing systems, fences, electrical systems and the like.
- The disclosure cites any defects or malfunctions in these components of which the seller is aware.

The seller and buyer can agree, in writing, to waive the disclosure; however, as a buyer, you are encouraged to obtain a properly completed disclosure. There is no cost to you and it provides you detailed information about the property components and their condition. A seller who fails to comply with the law is liable to the buyer for actual damages. If the failure to comply is willful, the seller is liable to the buyer for up to triple damages and possible reimbursement of court costs and attorney fees. Refer to a Residential Real Property Transfer Disclosure Statement from the State of Alaska for further review.

Purchase and Sale Agreement

Once you have thoroughly reviewed the property disclosure provided by the seller and convinced the home you desire to purchase, you are ready to make the offer. Your offer to purchase a home will be written on a document called a purchase and sale agreement. The purchase and sale agreement sets forth the names of parties, property address and legal description, offered price and terms, amount of earnest money deposit and who holds it, expiration date of the offer, all contingencies and signatures of all parties, including the real estate licensee involved in the transaction. Refer to a Purchase and Sale Agreement for further review.

Down Payment and Financing Provisions
In addition to the price offered, the purchase and sale agreement will list the type of financing you plan to apply for and the down payment you plan to make. It may list the name of the lender and/or the mortgage investor. Be specific in the purchase and sale agreement about what type of loan you want or need to consummate the purchase.

Negotiating Closing Costs
In most loan programs, payment of closing costs is negotiable between buyer and seller. In Alaska, most sales transactions have the seller generally paying for those items associated with the property (appraisal, survey, well and septic approval, property assessments and owner's title insurance). The buyer is typically paying for items associated with the loan (origination fee, commitment fee, discount points, mortgage insurance and prepaid such as insurance and taxes).

Sellers and buyers often split the cost of recording the documents associated with the sale and mortgage. The payment of closing costs is, in most cases, completely negotiable. A seller might be willing to pay all closing costs or the seller may not be willing to pay anything. The market often dictates the payment of closing costs. If there are more houses on the market than buyers, the seller may be eager to sell and willing to pay the closing costs. If the market is tight and the seller has multiple offers on the home and may be unwilling to pay any of the closing costs. In most cases, AHFC requires that the buyer pay for prepaid since these are funds that belong to the buyer and are used for payment of taxes and insurance after the loan is closed.

Hint: Closing costs may vary by community or loan product.

Offers and Counter-Offers
The seller and real estate licensee have a certain price in mind when marketing a home. You have a certain price in mind when buying a home. The offer you make on a home may not equal the listed price. When this occurs, the seller has the right to accept your offer at a price lower than what was originally anticipated or counter your offer with another price, which may or may not be different than the original listed price. A counter-offer may not even be about price; it may be a negotiation of the payment of closing costs or the addition or removal of certain contingencies. Counter-offers can go back and forth between buyer and seller any number of times. The purpose of a counter-offer is to come to an agreement between buyer and seller. Keep in mind that until a buyer and seller have reached an agreement in writing, a seller is free to consider other offers.

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Contingencies
The purchase and sale agreement should clearly set forth all contingencies of closing. If you or the seller cannot clear a contingency, the obligation to proceed with the purchase or the sale is negated. Examples of contingencies may include but are not limited to the following:

- Buyer financing
- Home inspection
- Property repairs
- Appraisal
- Well /septic approval
- Counter offers and addendums
- Environmental hazards
- Personal property
- Preliminary title report
- Survey

Closing and Occupancy Dates
A common contingency in the agreement is establishing the closing and occupancy dates. This contingency will state when the buyer is to close on the mortgage loan and when occupancy will be granted. Many buyers want to close the loan at the end of a month because the amount of prepaid interest due at closing is less; however, if you close at the end of the month, your first payment will be due in approximately 31 days. If you close at the first of the month, your prepaid interest will be nearly equal to a mortgage payment, but your first mortgage payment will be approximately 60 days from the date of closing.

Financing
Another contingency often found in an agreement deals with the availability of financing. The agreement typically states that a buyer will be refunded the earnest money deposit if ineligible for the mortgage loan.

The Buyer's Home Inspection

The buyer's inspection can be very beneficial by allowing an independent review of the property before spending money for the actual professional home inspector. While the time frame is negotiable, this inspection could be done prior to making the actual written offer to purchase and just prior to any formal home inspection.

If the current owner is agreeable, be prepared to fully explore the property's foundation, outside perimeter, attic and crawl space, as well as exterior grounds. A minimum of one hour should be allowed, perhaps more. Prior to performing an independent inspection, the buyer should have gathered gloves, overalls, pen and paper, tape measure, flashlight and other items as necessary to accomplish the self-inspection.

Items a home buyer may review prior to making an offer

Foundations

- ☐ Check exposed concrete foundation and footings for any visible cracks. (Cracks might identify settling in a property).
- ☐ Look for standing water or old water stains on the foundation, footings and vapor barrier. This could show evidence of water leaks or ground water infiltration.
- ☐ Complete a visual inspection of floor joists and sill plates for evidence of dry rot.
- ☐ If the foundation is all weather wood, pull back the insulation and inspect for dry rot and/or wet insulation.

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- ☐ Be sure there is a good vapor barrier covering the ground and look for adequate insulation.
- ☐ If the foundation is post and pad or pilings, inspect for evidence of dry rot, sagging supports and/or eroded soils.
- ☐ Inspect exposed plumbing and electrical for possible problems.
- ☐ Pay particular attention to areas under the house with exposed plumbing. Is there sign of leakage or dry rot?
- ☐ Look around sill plates and see if there are signs of insects, including carpenter ants.

Ceilings, Walls, Floors, Doors and Windows

- ☐ Look for diagonal cracks, holes in the walls and ceilings and separation between the walls and ceilings. (Cracking and holes could be normal settling or if more pronounced maybe an indication of structural failure).
- ☐ Check that interior floors feel even and have no sagging. Check under throw rugs for damage to permanent floor coverings. Look for floor damage around all water sources, including toilets, bathtubs, sinks and dishwashers.
- ☐ Check doors and windows to see if they open and close properly. Note broken windows, missing storm windows or screens. Be sure the windows latch and offer proper egress from the home.

Plumbing and Electrical

- ☐ Check exposed plumbing for water damage from leaky faucets or drains. Check for hot and cold water at each faucet. Inspect the tub surrounds for previous water damage, both visually and by pressing on the surround to see if the wall behind feels uneven or soft.
- ☐ Look for exposed electrical wiring, boxes and cover plates. Inspect breaker panels for proper labeling and missing covers. Look for ground fault circuit interrupters (GFCI) in kitchens, baths or anywhere within six feet of a water source. Verify that smoke detectors are present and properly working.

Heating Systems

- ☐ Visually inspect for water, oil or fuel leaks around heating units. Visible corrosion around fittings and natural gas or fuel odors should be noted.
- ☐ If fuel oil is used, inspect around the tank and filler nozzle for visible stains that might indicate fuel spills.

Environmental Hazards

- ☐ See page 44.

Insulation and Weatherization

- ☐ Inspect exterior doors and windows for proper weather seals and weather-stripping.
- ☐ Check exposed insulation for proper fit, adequacy and whether or not it is wet or damaged.

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Roof and Siding

- ☐ From a distance and with the aid of binoculars, visual inspections of the roof should reveal dips, moss growth, missing vent caps, stacks, shingles or metal. Due to safety concerns, professional inspectors should complete actual physical inspections of the roof itself.

- ☐ Inspect exterior walls and trim for peeling paint and buckling. Excessive peeling or buckling could indicate moisture or structural problems.

Ventilation

- ☐ Verify dryer exhaust, kitchen and bath fans are properly vented outside the home. Test exhaust fans for proper operation by holding a tissue against the fan. If working correctly the tissue should remain against the fan. Excess moisture should remain outside the home.

After your home inspection is complete and you feel comfortable proceeding, the next step will be to conduct the professional inspection. Concerns you have identified should be relayed to that individual.

The Professional Home Inspection

An inspection of the home by a qualified home inspector is often a contingency in a real estate transaction. This inspection is very beneficial to the buyer because it identifies the condition of various components of the house.

What a home inspection does and does not provide

Provides:

- Visual Inspection
- Areas Inspected:
  - Foundation
  - Roof (if weather permits)
  - Attic
  - Crawlspace
  - Heating and ventilation
  - Plumbing systems
  - Appliances
- Items may include
  - Egress of Windows
  - Functioning smoke detectors
  - Ground fault circuit interrupters (GFCI)
- Inspection report

Not Provided:

- Destructive Inspection

Depending on the loan program you choose, a home inspection could be a requirement of the loan. Some loan programs, especially AHFC's interest rate reduction programs, require that a home inspection be performed on homes built prior to 1992. Contact AHFC or your lender to identify properties requiring an inspection. Even if your lender does not require a home inspection, AHFC strongly encourages you to obtain one.

Finding a Qualified Inspector
Home inspectors in Alaska must be licensed and are regulated by the Department of Commerce, Community, and Economic Development.

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Exception: Licensed engineers are exempt from the home-inspector-licensing requirement and can do home inspections under their engineering registration number. Individuals who are in the business of repairing, maintaining or installing various systems (e.g. plumbing or heating) also do not require home inspecting licensing.

Like shopping for a lender or real estate licensee, shopping for a home inspector takes some effort. Ask your real estate licensee, family or friends for recommendations of a qualified inspector. Interview potential inspectors and ask about their qualifications and experience. Good questions to ask include:

- How many inspections have you performed and what components of a home do you typically inspect?
- Ask to review a sample inspection report to see what will be covered during their inspection.
- Inquire whether their experience is related to new construction, existing homes or both. Find out what credentials, if any, the inspector might have.
- Are you certified by the International Code Council (ICC) or any other professional organizations?

The Inspection Process
Once the services of an inspector have been retained, an appointment will be made for the inspector to gain access to the home. As the buyer, be there to make sure that the inspector looks at items in the house that are important to you. The inspector will probably look at the condition of the roof if weather permits. If the roof is covered with snow, the inspector will make a determination of the quality of the roof through access to the attic. This allows the inspector to view the roof from the inside out and determine whether there have been leaks. While in the attic, the inspector will verify the adequacy of the insulation in the home and note any safety or structural items like exposed wiring, weak rafters or improper ventilation.

The inspector will walk the perimeter of the house to determine whether any cracks in the foundation or settlement are evident. An inspection of the crawl space will also show foundation problems or water penetration. Inside the house, the inspector will check the furnace, water heater, appliances and proper grounding of electrical devices. The windows will be checked for appropriate size and distance from the floor for safety in egress in the event of fire. Smoke detectors will be checked to insure that they are functioning properly. The inspector may note cosmetic items that are in need of repair, like broken closet doors; but these items are generally provided for information purposes only and not considered to have an impact on the quality or safety of the home.

Website: Dept. of Commerce, Community, and Economic Development
http://commerce.alaska.gov/dnn/cbpl/ProfessionalLicensing/HomeInspectors.aspx

The Inspection Report
Following the inspection, a report will be prepared and provided to the party who contracted for the work. It will generally have a detailed description of each room in the home as well as the foundation, roof and major components such as heating and plumbing. Each item inspected will be rated by the inspector using poor, fair, average or good to note the condition of the item. The inspector will provide comments, which indicate needed repairs or suggestions for items that may need repair or replacement. The inspection report is generally broken into two categories: 1) those items affecting the health and safety of the occupants and 2) items affecting the quality or marketability of a home.

A copy of the inspection report is generally provided to the lender and the property appraiser. The appraiser will take into consideration the contents of the report when completing the appraisal. The appraised value may be subject to repairs being completed as recommended by the inspector. The lender will review the report and make certain repairs a condition of

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loan approval. Typically, only those repairs that have an impact on the health and safety of the occupants or the value of the property will be required.

Property Repairs

The home you are purchasing may be in need of repairs prior to closing. The proper completion of these repairs should be listed as a condition of purchase. The lender will require evidence of proper completion unless the repairs cannot be completed before closing due to weather. If the repairs cannot be completed and the lack of repair does not have an adverse impact on the health and safety of the occupants, the lender may establish an escrow of funds to be disbursed when repairs are completed.

Appraised Value

A common contingency found in an earnest money is the requirement that the appraisal support a value at least equal to the sales price. Mortgage loan amounts are based on the sales price or the appraised value, whichever is less. This means that your down payment may be higher if the appraised value is less than the sales price. For example, you have offered and the seller has accepted a sales price of $110,000. You are going to apply for a 95percent conventional loan. This will require a down payment of $5,500 with a loan amount of $104,500; however, the appraisal comes in at $100,000. The maximum 95 percent loan on a $100,000 home is $95,000. Therefore, you will be required to make a down payment of $15,000 if the sales price stayed at the original $110,000. If the contract is contingent on the appraised value meeting or exceeding the sales price, the buyer and seller will have a right to renegotiate the sales price. The seller may be willing to drop the price to $100,000 or you may be willing to pay the higher amount, even though the appraisal does not support it, or you both may agree to a price somewhere in between the original sales price and the appraised value. If no agreement can be reached between the buyer and seller, the earnest money agreement will be canceled.

Well and Septic Approval

If the home you are purchasing is served by a private utility like a well or septic system, make sure that it is functioning properly at the time you purchase the home. This assurance comes in the form of a well and septic system approval by a qualified engineer, certified installer or government employee. The lender may not require the approval of these private systems but it is advisable to obtain one for your own protection. An approval of a well or septic is provided at a specific point in time; it does not provide a warranty on the quality of the system nor does it guarantee the future proper functioning of the system.

Environmental Hazards

If the home you are purchasing was built prior to 1978 it may contain lead-based paint. A seller must disclose to you any knowledge of lead-based paint in the home and inform you of a pamphlet about the hazards. Even low levels of lead paint can have serious health consequences, especially for infants, children and pregnant women. Lead-based paint does not have to be ingested to be harmful. It can be contained in dust on your child’s hands or toys. Renovation of an older home can disturb lead-based paint and be particularly dangerous. Don’t attempt to remove the hazard yourself. A thorough investigation by an environmental engineer should be considered if you are purchasing an older home. An inspection will identify any surfaces that are coated with lead-based paint. A risk assessment will identify any lead hazards such as peeling paint or contaminated dust. The engineer will recommend steps to take to correct or eliminate the hazard.

Website: EPA provides more information on
lead poisoning prevention at www2.epa.gov/lead

In some areas, other environmental hazards may be present. If the seller is aware of these,

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he or she is obligated to disclose that to you. The appraiser is also responsible for noting any evidence of environmental hazard. These hazards, however, are often times unknown by the seller and unseen by an appraiser. If a property has a home heating fuel tank, it is possible that a hazard exists. If the property is located next door to a previous gas station site a hazard might exist. If the home was built in the 1950s or 60s, it may contain asbestos.

If you have reason to believe a hazard may exist, make the purchase of the property contingent upon verification that the property is free and clear of hazards or that remedial action has eliminated the health and safety concerns for you and your family. Environmental engineers are available for site assessments. The cost of the assessment will vary depending on the level of investigation required of the engineer.

Website: State of Alaska Dept. of Environmental Conservation (DEC) at http://dec.alaska.gov/spar/perp/hho.htm

Personal Property

Your offer to purchase a property may also be contingent upon the simultaneous purchase of personal property. Mortgage lenders do not finance personal property. If your earnest money includes the purchase of personal property, it should clearly state that it is separate from the purchase of the home. The fact that an existing property is being sold with a stove and refrigerator is generally not a problem with the lender; however, personal property such as furniture or washers and dryers do cause a problem in the financing. These items should be purchased on a separate bill of sale that clearly describes the property and lists makes, models and serial numbers.

Energy Efficiency Rating

If the home you purchase is reported to meet a certain energy efficiency rating, make receipt of the rating a contingency in the contract. Many buyers today are purchasing energy-efficient homes because it generally means a more comfortable living environment, lower utility costs and better financing terms.

Survey and Preliminary Title Report

As a condition of purchase, the seller is expected to provide you with a property free and clear of all liens, other than the lien created by your mortgage. Additionally, the home and all site improvements are expected to be situated within the property lines. A preliminary title report will list the owner's name, the legal description of the property and all liens and encumbrances against the property. A survey will provide an accurate depiction of the property lines, the improvements within the lines and any easements and encroachments.

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Figure 4: As-Built Survey
(Example)

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Types of Insurance

Prior to loan closing, you will be required to provide the lender with evidence of adequate hazard insurance on the property. Obtain quotes for insurance coverage from at least two insurance companies. Compare the coverage provided and the rates charged by the different companies. Ask your lender for the amount of insurance required for your loan, the deductible allowed and the exact wording required for the loss payee clause (naming the lender as a co-insured). The lender will typically require insurance in an amount that covers the loan amount. This may not be enough; however, to cover the replacement cost of the improvements. The lender will probably include a payment for hazard insurance in your monthly payment, so your annual premiums will be paid from your mortgage reserve account.

Website: Alaska Home Insurance Guide available at
http://commerce.alaska.gov/dnn/Portals/7/pub/Consumers/2012homeguide.pdf

Hazard Insurance
Know the difference between the types of insurance available to you. Hazard insurance is

all that is required by the lender but it does not cover all that you own and maintain within the home. It covers damage from fire, vandalism, theft and some weather related hazards. Hazard insurance does not protect you from loss to personal property contained within your home or liability from death or personal injury on your property.

Homeowner's Insurance
Homeowner's insurance is a policy that combines hazard insurance with personal liability insurance. Check your coverage annually to make sure that you have the right type and amount of insurance. Make sure that your personal property is covered and that it is increased as your personal assets increase. Check your policy for riders that cover items such as jewelry, artwork, guns or other specific assets not typically covered by a standard homeowner's insurance policy.

Catastrophic Events Insurance
Hazard insurance does not typically cover against damage caused by earthquakes, floods, tornadoes or avalanches. Obtain specific insurance policies to cover these catastrophic events. Lenders will require flood insurance if your property is situated within a federally designated flood hazard area.

Personal Property Insurance
If you are buying a home located within a condominium where the hazard insurance is provided by the homeowner's association, your personal property is not covered. Carefully read the resale certificate to determine what the association policy covers. You may find the only coverage is for the building, while you, the owner, are insuring everything within the walls of the unit. Personal property & liability coverage will then be your responsibility.

Mortgage Life Insurance vs. Term Life Insurance
Mortgage life insurance is a coverage that pays the mortgage in full in the event of the death of an insured borrower. As your mortgage balance declines, so does the amount of mortgage life insurance coverage. This insurance can be quite costly and you are encouraged to compare the premiums for a term life insurance policy that is paid to your named beneficiary upon your death, regardless of any debt against your property.

Closing Your Mortgage Loan

Once your loan has been approved and all contingencies of the earnest money have been met, the loan closing process can begin.

Setting the Date
The date you decide to close your mortgage loan will depend on several things. Give notice to your landlord for a final moving date from your current residence. When you can occupy the new home will have an impact on when you close your mortgage loan. You may be limited on the amount of funds you have to close and want to keep the funds needed for prepaid interest to a minimum. If this is the case, you will want to close your loan at or near the end of the month. This will mean that you will pay only a few days of mortgage interest on the new loan but it also means that your first payment will be only a little more than one month from the date of closing. The seller may not be willing or able to relinquish occupancy of the home until some particular date. Your ability to occupy and the seller's ability to vacate the property should all be clearly set forth in the contract.

The mortgage lender will play a role in determining when your loan can close. Since your loan is not the only loan the lender has in process, an appointment with a closer will be made. The closer will make every effort to set the appointment on the date you request but workload may dictate otherwise. Some lenders hire a title company to act as closing agent on their mortgage loans. If this is the case, the lender will have to work with the closing agent to set a closing date that is mutually agreeable.

Meeting Loan Conditions
Before the closer will make an appointment to close your loan, you and the seller will be required to provide the closer with evidence that all conditions of the loan commitment

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have been met. These conditions may include completion of repairs to the property, selling of a current asset (home, car or other property), paying off certain debts, obtaining a survey or well/septic approval or providing evidence of compliance with construction inspection standards or building energy efficiency standards.

The Final Walk Through
Before you close on your mortgage loan, make one final walk through to be confident that the condition in which the house will be turned over to you is acceptable. If your earnest money contract required certain repairs to the property, inspect them to make sure they are completed. If you required cleaning of the carpets or interior painting, make sure that the jobs were done adequately. Inspect the home for any damage that may have occurred since you last inspected the home. Schedule a final walk through once you have set the closing date met the loan conditions and are ready to close.

Taking Title to Your Home

There are various ways to take title to your home. Your lender will advise you as to which way is appropriate. Regardless of how you take title to your property, AHFC strongly encourages you to have a Last Will and Testament prepared. A home is probably one of the biggest investments you will ever make. In order to insure that your interest in the property is protected in the event of your death, a Will should be prepared to clearly establish the name of your beneficiary.

Tenant in Severalty
If you are purchasing a home on your own, you will take title as tenant in severalty. This designation means that you are the sole owner of the property. In the event of your death, title to the property will transfer to your named beneficiary.

Tenancy by the Entirety
If you are married and your spouse is taking title with you, the title may vest in both your names as tenancy by the entirety. In the event of one of your deaths, the title will automatically vest in the name of the surviving spouse. Probate is avoided.

Joint Tenancy
In some states unmarried borrowers may take title as joint tenancy. This means that all persons in title have an interest in the property and, upon the death of one of the owners; the title to the property is vested in the name of the remaining owner(s). This form of ownership is not legal in the state of Alaska. See AS 34.15.130 for details.

Tenancy in Common
Some borrowers may take title as tenancy in common, that allows each owner to have a percentage interest in a property. In the event of one of the owner's death, the deceased party's interest will transfer to his named beneficiary.

Alaska Homestead Rights
In Alaska, a spouse has an interest in a primary residence, regardless of whether that spouse is listed on the title. This interest is set forth in state statute and commonly referred to as Alaska Homestead Rights. If a spouse resides in a primary residence, there is an automatic interest in the property. Alaskan lenders will typically have the spouse sign the deed of trust even though that spouse is not a signer on the promissory note. Signing the deed of trust does not accept responsibility for payment of the debt. It simply serves as a spouse's acknowledgment that a debt against the property exists and payments on the mortgage must be made in accordance with the terms and conditions of the deed of trust.

Alaska Community Property Act (ACPA)
Alaska law allows an owner of real property to opt into a community property agreement. The law recognizes certain tax advantages to holding property as community property. If you are married and obtaining an AHFC loan and your spouse is not signing the deed of trust, you must provide a statement that you have not entered into a community property agreement with your spouse. Consult an attorney for additional information about ACPA.

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Title Insurance
The lender will require that the mortgage be covered by a policy of title insurance. As the new owner, it is recommended that you too be covered by this insurance. The lender's coverage is commonly called an ALTA title policy and it insures the lenders against undisclosed liens. The lender's loan is a first mortgage and the title insurance will protect the lender against claims of lien priority over the mortgage. Your title insurance is called the owner's title policy. It protects you against undisclosed liens. The payment for title insurance is negotiated between buyer and seller but typically the buyer pays for the lender's coverage and the seller pays for the buyer's coverage. After all, a typical condition of a real estate transaction is that the seller transfer the property to you "free and clear" of all encumbrances.

Closing Document Review

Prior to loan closing, the lender should give you an opportunity to review your closing documents at your leisure. If you have not been given this opportunity, ask for it. You should be able to take time to read the documents and make sure that you understand what you are signing. If not received, request copies of all documents signed at closing.

Truth-in-Lending (TIL) Statement/Regulation
The TIL lists the loan amount you have obtained, the total interest you will pay over the term of the loan, the note rate, and prepaid items, which are included in the calculation of annual percentage rate (APR) and any special features of the loan, such as assumable loan. Additionally, the TIL may list the mortgage payment broken down by principal, interest, taxes, insurance, mortgage insurance, condominium association fees, and if applicable, lease or assessment payments. If this information is not provided on the TIL, it will be provided to you on a separate document. Compare the final TIL to the original provided to you within three days of your loan application. If it is significantly different than the original, ask your lender for an explanation of the difference. Refer to sample Truth-in-Lending Disclosure Statements in the forms section of this book for further review.

HUD-1 Settlement Statement
The HUD-1 settlement statement is an accounting of the entire finances associated with your mortgage loan. It shows the price you have agreed to pay for the property, the earnest money deposit you have made, the loan amount you are getting, closing costs and prepaid items associated with the loan. The HUD-1 is broken down between buyer costs and seller costs. The statement is a personal, confidential document of financial information. You will be provided with a statement that shows just the costs for which you are charged. Compare the final HUD-1 with the estimate of costs you were provided early in the application process. Make sure the fees that you are charged are fees that were originally disclosed to you. If not, find out why you are now being charged with a previously undisclosed fee. Refer to the sample HUD-1 Settlement Statement in the forms section of this book for further review.

Promissory Note
The lender uses a promissory note in order to record your promise to pay. In addition to your name and the date of the note, it will set forth the loan amount, interest rate, monthly payments, date payments are due and late charge applicable if you do not make your payment within the first 15 days of the month. The promissory note discloses the fact that you have a legal obligation to pay the mortgage on time and in accordance with the provisions of the note and deed of trust. It discusses remedies the lender has if you fail to meet your obligations. Refer to the sample Promissory Note in the forms section for further review.

The Deed of Trust
The deed of trust is used by the lender to record its interest in the property you are purchasing. The deed of trust sets forth the legal description of the property, amount of the promissory note, maturity date of the debt, name of the trustor (the borrower), trustee (third party to whom title is conveyed until the debt is paid in full) and the beneficiary (lender). The deed of trust sets forth your rights and responsibilities and the lender's remedies in the event of your default. The deed of trust cites rights of the lender if you convey any interest in the property without the lender's consent. Refer to the sample Deed of Trust provided in the forms section of this book for further review.

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Affidavits

In a mortgage loan transaction, there may be affidavits that you are required to sign. The owner-occupancy affidavit is required by some lenders for various loan programs that require you to occupy the property as your principal residence. In some instances, your occupancy may be questioned because of other property you own in the area, location of your employment or other circumstance. In this case, the lender may require that you affirm, through an affidavit, that you will occupy the residence as your one and only principal residence within a short time after loan closing.

If you are a first-time homebuyer, financing your home under an AHFC program, you may be required to provide a Buyer's Affidavit that cites your eligibility for the loan. At closing, you will be required to affirm that the price you paid for the property is, in fact, as stated in the original affidavits and that there are no side agreements between you and the seller that will effectively increase the acquisition cost.

AHFC requires you to execute a Waiver and Release of Liability that states you are taking responsibility for the property and you are not relying upon AHFC or your lender to attest to the condition, marketability or adequacy of the home.

Some lenders and/or investors may have specific affidavits they require at the time of every loan closing. Others may have special affidavits that are required in certain circumstances. Ask your lender for copies of these affidavits in advance of loan closing so that you can familiarize yourself with their content.

Settling Up

At closing, you will settle up with the seller and the lender to complete your mortgage transaction. The lender will collect funds from you and disburse them to the appropriate parties, including the seller, mortgage insurer, homeowner's insurer, appraiser, surveyor, title company, recorder's office, tax registration office and any other party due payment for goods or services provided to complete the transaction. You will be required to provide a certified check to the closing agent for the funds due at closing.

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Chapter 4
Responsible Homeownership

Chapter 4: Responsible Homeownership

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Chapter 4: Responsible Homeownership

Settling In

About a week before you close your loan you will need to complete the following tasks:

- Contact all utility companies to transfer accounts from the seller's name to yours.
- Pay any initial deposits to the utility companies to establish an account in your name. You will have to move your personal belongings from your existing residence to your new home.

Take the necessary steps to get any security deposit due you from your current landlord. File a change of address with the post office and provide creditors and depository institutions with your new address.

After closing, set goals for maintaining your credit and your home. The following are provided to help you meet those goals.

Meeting Your Financial Obligations

Maintain the family budget
Take steps to insure that you have the financial resources needed to meet all fixed expenses and trim discretionary expenses to reach your financial goals. Set funds aside for unexpected expenses. If you have difficulty managing your finances, seek professional advice immediately, and if you run into difficulty making a mortgage payment, make immediate contact with your mortgage servicer.

When you take on the obligation of a long-term mortgage, you are committing your financial resources to making timely payments and properly maintaining your home. Take steps to meet these obligations and improve your financial situation.

Consider refinancing
In an economy where interest rates are decreasing, consider refinancing when rates drop to 1 percent less than what you are paying. Even though the lender will charge fees to refinance your mortgage, it may be beneficial in the long run.

Purchasing a home can be traumatic. The process can be made easier by enlisting help of a real estate professional who can help define and clarify your priorities; educate you to local market conditions; possibly negotiate the terms of sale; address your fears and concerns; guide you in making the right decisions; and help locate lenders and show you homes in your price range with the features you requested. Your real estate licensee can answer questions and set your mind at ease about the decisions you make. Your licensee will help protect your interests and insure that you receive the proper disclosures about the property and financing.

Real estate brokers and their licensees must present all offers promptly to the seller or their licensee. They must respond honestly and accurately to questions concerning the property and offer the property without regard to race, color, sex, religion, familial status, disability or national origin. They must disclose to you any working relationship they may have with each of the principal parties in the transaction. Real estate professionals have the fiduciary duties and responsibilities of reasonable care, undivided loyalty, confidentiality, full disclosure, accountability and obedience to you, their client, and the "principal."

Hint: If you can recover the cost of the refinance within 2 years through reduced mortgage payments, it may make financial sense to refinance.

Calculation: Cost of Refinance / Mortgage payments = Breakeven Timeframe

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Paying additional principal on loan
If your financial situation is such that you can apply additional money each month to your mortgage, the total interest you pay will be reduced. Additionally, the term of the mortgage will be shortened. Adding a small amount each month to your payment in the form of a principal reduction can go a long way toward increasing your equity and reducing your overall debt. When making a principal reduction, be sure to mark your payment coupon clearly so the mortgage servicer knows exactly how you want them to apply the extra funds. Just by adding $50 per month to your payment, the amount of interest paid over the term of the mortgage is substantially reduced. If you pay your loan off earlier than originally planned, the mortgage payments can be used for other investments to help build a secure future.

Preventive Measures

Steps to protect your credit and your home
Timely payments of a mortgage and proper maintenance are the best ways to do this.

Unfortunate financial situations
If you have an unforeseen downturn in your financial situation that impacts your ability to pay your mortgage, there are some proactive steps to take.

- Record your income and expenses, and calculate the equity in your home
- Contact your loan servicer to discuss your situation as soon as possible. The longer you wait the fewer options a servicer has to offer
- If you cannot reach the loan servicer at first, be patient, but be persistent
- Ask about a loan modification under the Making Home Affordable Modification Program (HAMP)
- Seek housing and credit counseling

If you're interested in refinancing to take advantage of lower mortgage rates, but are afraid you won't qualify because your home value has decreased, you may want to ask if you qualify for the Home Affordable Refinance Program (HARP) or the HOPE for Homeowners (H4H) program.

Temporary financial downturn
If it is determined that the financial difficulty is temporary, the mortgage servicer will work with you to correct the deficiency through various payment plans. These plans could include the following:

Forbearance is where payments may be temporarily reduced and then followed by increased payments to make up the difference not previously paid during the forbearance.

Temporary indulgence may apply if you can satisfy the lender that you will soon have the funds necessary to pay the account in full or cure the default, the lender could agree to delay a foreclosure.

Repayment plan has a formal arrangement for making up delinquent payments. Typically, you will be given a period of time to cure the delinquency. It may be determined that your default is long term and that a modification to one or more of the terms of the loan is what is necessary for you to cure the default.

Entities involved
In a mortgage, there may be several parties—you, the lender, the mortgage servicer, the mortgage insurer, the investor, the bond insurer and the pool insurer:

- A bond insurer is typically involved when a state agency such as AHFC issues bonds to fund its loan programs

- A pool insurer is involved in a transaction when supplying coverage against mortgagor defaults based on a large pool of mortgages, rather than just one loan

Decisions about various plans can require approval from some or all of the parties. Be prepared for possible delays in reaching an agreement about a particular payment plan.

Credit counseling organizations can help you budget your funds and catch up on back payments. You must be willing to comply with the terms of any payment plan offered by the mortgage servicer and, if applicable, the counseling service.

If it is determined that the financial difficulty is permanent, the mortgage servicer will probably suggest that you take steps to sell the property. It is best for you if the property is sold before the lender has to take legal action since any foreclosure has a long-term adverse effect on your ability to secure future credit.

At Home

Home Security
Your new home is a place to feel safe and secure. Consider re-keying the house once you have taken occupancy from the seller. Even though you may have been given all the keys the seller had, there may be others that are in the hands of strangers. By re-keying the locks, you can rest assured that no one else has access to your home. You may want to consider a home security system.

Fire Protection
Make sure the smoke detectors are functioning properly and change the batteries at least twice per year. (Make it a practice to change the batteries each spring and fall when you set your clocks to and from daylight savings time). Have smoke detectors in each bedroom. Install them in garages and crawl spaces as well. Keep a fire extinguisher handy on all levels of the home and in the garage. Extinguishers are simple to use and can help stop the spread of fire. Teach all members of the family how to use a fire extinguisher. Clean the fireplace chimney on a regular basis to avoid buildup of soot that can be a fire danger.

Carbon Monoxide
Carbon Monoxide (CO) is the number one cause of poisoning in the United States. Alaska has the highest per capita carbon monoxide death rate in the nation. CO alarms are required by state law to be installed in residences. Carbon monoxide alarms are a good backup for detecting problems, but they are not a substitute for proper installation and regular maintenance of fuel burning appliances. The most reliable CO alarms are considered to be those with IAS 6-96 Standard certification, which carry a blue star logo on the box.

CO is not significantly lighter than air and does not necessarily "rise" in a house. Regarding CO alarm placement, refer to manufacturer's instructions. Alarms should be installed on each level of the home.

Household Hazards
Keep your garage clear of all the clutter that can be a danger. Dispose of old paint responsibly. Store chemicals in safe containers that are clearly marked and are out of the reach of children.

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Use electrical outlets as originally intended by the installer. Connecting too many appliances to one outlet can cause an electrical short and start a fire. Use of extension cords should be limited to short-term temporary use and immediately unplugged and stored when not in use. Turn appliances off when not in use. Some, like toaster ovens or electric skillets, should be unplugged. Don't leave appliances running when you leave your home.

Maintaining Your Home
Create a checklist for regular maintenance of items such as furnace filters, dryer vents, rain gutters and window casings. Plan to perform weather related maintenance items each spring and fall. Prepare for winter by caulking all windows, putting up storm windows and doors and installing new weather stripping. Prepare for spring by replacing storm windows with screens, cleaning out the gutters, patching any roof shingles that may have been damaged over the winter and diverting water that pools around the foundation. Provide regular maintenance on appliances and replace worn out filters and/or wires. Resurface or apply sealant to your driveway regularly to avoid cracks.

Making Needed Repairs
Act promptly when you recognize an item in your home that needs repair. If you have taken our advice and set up a household budget account, you will have funds set aside to cover the cost of the repairs. If you keep on top of needed repairs, you will avoid major expenses at a later date. If maintained properly, the lifetime of every component is extended. If you neglect needed repairs, the lifetime is severely diminished.

Home Improvement
If you decide to make improvements to your home, keep in mind the legal requirements for permits and compliance with applicable building codes or subdivision restrictions. When making home improvements, consider the impact on value. If other homes in the neighborhood are primarily three bedroom, two bath ranch-style homes, adding on to create a large two story, five-bedroom home may not increase the value of your home equal to the cost of the improvements. Converting a garage to a bedroom may meet the immediate needs of your family but may have an adverse impact on the resale of your home.

If you plan to make the improvements yourself, make sure you have the appropriate skills to complete the work. In order to maintain the value of your home and hopefully increase it, the quality of the work must be comparable to the rest of the home.

Website: Alaska Craftsman Home Program provides free classes for homeowners about how to achieve energy efficiency improvements at www.achpalaska.com

If you have equity in your home, it can be used to pay for home improvements. Before you place a home improvement loan (second mortgage) on your property, check the programs carefully and take steps to fully understand the debt that you are placing on your home.

A contractor or laborer who performs work has a right to file a lien against the property for payment of services performed. If you contract for work, you must pay promptly in order to avoid "clouding" the title to your property.

Summary

The ultimate reward of homeownership is the opportunity to own your home free and clear of all debts. When you pay off your mortgage you will have a valuable asset that provides a safe and comfortable environment for your family. And, unlike a renter, you will no longer have to make monthly payments. You will still have expenses for taxes, insurance and maintenance but the money used to pay to a lender will now be available to use at your discretion.

We hope you will enjoy the many benefits of homeownership. Feel free to contact your HomeChoice™ instructor or any AHFC mortgage Underwriter if you have questions or need additional information.

Contact: AHFC's Mortgage Hotline | Phone 330-8400 | Toll Free 800-854-3884

Notes

Yearly Home Maintenance Checklist

Fall

- ☐ Check all weather stripping and caulking around windows and doors. Replace or repair as needed
- ☐ Check for cracks and holes in house siding; fill with caulking as necessary
- ☐ Remove any window air conditioner or use weather proof cover
- ☐ Take down removable screens. Clean and store.
- ☐ Clean and repair storm windows and doors
- ☐ Drain outside faucets
- ☐ Clean leaves from gutters and drain pipes
- ☐ Check roof for leaks; repair as needed
- ☐ Check insulation and replace or add as needed
- ☐ Check flashing on vents, skylights and chimneys
- ☐ Check chimney for damaged cap or loose mortar
- ☐ Change smoke detector batteries
- ☐ Get heating system serviced. Change furnace filters
- ☐ Do maintenance on hot water heater recommended by manufacturer. Get professional help if needed.
- ☐ Check leaky faucets and replace washers as needed
- ☐ Check and clean refrigerator coils
- ☐ Check and clean major appliances (humidifiers, air filters, etc.) according to manufacturer's instructions
- ☐ Check all fire extinguishers, review instructions for use and replace as needed
- ☐ Other:

Spring

- ☐ Check weather stripping and caulking around windows and doors, Replace or repair as needed
- ☐ Check outside of house for cracked or peeling paint. Caulk and repaint as needed
- ☐ Remove, clean, and store removable storm windows
- ☐ Check all door and window screens. Patch or replace as needed. Store removable screens.
- ☐ Replace batteries in all smoke detectors when you change your clocks for standard time
- ☐ Replace filters on air conditioners
- ☐ Check and clean vents and filters on dryer, stove, and room fans
- ☐ Check seals on refrigerator and freezer. Clean coils and burner surfaces and adjust burners
- ☐ Check basement walls and floors for dampness and make repairs as needed
- ☐ Clean fireplace; leave damper open for improved ventilation if house is not air conditioned
- ☐ Check leaky faucets and replace washers as needed
- ☐ Check attics, basements, and all rooms for fire or other hazards. Clean all areas.
- ☐ Clean and repair draperies, blinds and windows
- ☐ Clean garage and discard all hazardous materials; store all toxic chemicals safely and out of the reach of children
- ☐ Other:

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Glossary, Worksheets and Forms

Glossary, Worksheets and Forms

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Glossary, Worksheets & Forms

Glossary

Acceleration Clause: A provision in a mortgage giving the lender the right to demand payment in full on the mortgage if a monthly payment is missed.

Adjustable Rate Mortgage (ARM): A mortgage that allows the lender to adjust the interest rate at specified intervals based on an agreed upon index. Also referred to as Variable Rate Mortgage (VRM).

Affordable Housing Enhanced Loan Program (AHELP): A loan feature that combines an AHFC first deed of trust mortgage with an AHFC partner's second deed of trust. AHFC's approved partners include governmental entities, non-profit agencies or regional housing authorities.

Alaska Housing Finance Corporation (AHFC): A self-supporting publicly owned corporation created in 1971 by the Alaska State Legislature to enhance the flow of mortgage funds in the State of Alaska. It is a secondary investor who purchases loans originated by approved lenders. In addition to its role as a state-owned secondary investor, AHFC originates and purchases multi-family housing loans, owns and manages public rental housing, administers the federally funded Section 8 rental housing program, provides funds for weatherization of housing for low-income families, operates a Senior Housing Office, serves as the coordinator of the state housing policy and homeless program, administers grants designed to increase homeownership or the quality of housing in Alaska, and provides cold-climate housing research and development.

Amortization Schedule: A timetable for payment of a mortgage that shows the amount of each payment applied to principal and interest and the outstanding balance on the loan.

Annual Percentage Rate: The total cost of a mortgage stated as a yearly rate. The total cost includes the base interest rate, loan origination fee, points, commitment fees, prepaid interest and other credit costs that may be paid by the borrower.

Appraisal: An opinion of value of a home provided by a licensed appraiser based on the principles of the Uniform Standards of Appraisal Practices and Procedures.

Appreciation: An increase in the value of a home due to changes in the market conditions or other causes.

As-Built: See Survey.

Assessed Value: The value placed on a property by the local taxing authority.

Assumable Mortgage: A mortgage that can be taken over (assumed) by a qualified buyer when the home is sold.

Assumption: The transfer of a seller's existing mortgage to a qualified purchaser.

Balloon Payment Mortgage: A mortgage that is generally written for a short term with payments based on a longer term. At some predetermined time, a payment of principal and interest is due that will either pay the loan in full or reduce the principal balance by some specified amount.

BEES (Building Energy Efficiency Standard): BEES are set forth in Alaska state statutes. The standard dictates minimum energy efficiency standards for new housing that is financed by a state agency. The standard sets forth various methods of determining energy efficiency.

Cap: A provision of an ARM mortgage, which limits how much the interest rate can increase or decrease.

Cash Reserves: The amount of liquid assets a borrower has available after closing.

CC&R's (Covenants, Conditions and Restrictions): A document, generally recorded, that describes the restrictive limitations that may be placed on a property.

Clear Title: A title to property that is free and clear of all liens or legal questions as to the ownership of the property.

Closing Costs: Expenses greater than the purchase price of a home, incurred by the buyer or seller in transferring ownership. These are also called "settlement costs."

Closing: A meeting where the sale of the property is finalized by delivery of a deed from the seller to the buyer and by the buyer's signing the mortgage documents and paying closing costs. Closing is also called "settlement."

Commitment Letter: A letter provided by the lender to the borrower detailing terms under which the lender agrees to provide a mortgage loan to the borrower. It will typically state the loan amount, interest rate, mortgage term and conditions of approval.

Common Interest Community: A project or subdivision having lots or areas owned in common and reserved for use of some or all owners of the separately owned lots. The association of unit owners generally owns, pays fees and maintains the common areas.

Condominium: A form of property ownership in which the homeowner holds title to an individual dwelling unit, an undivided interest in common areas of a multiple-unit project and sometimes exclusive use of certain limited common areas.

Contingency: A condition that must be met before a contract is legally binding.

Conventional Mortgage: Any mortgage that is not insured or guaranteed by the federal government.

Convertible ARM: An Adjustable Rate Mortgage that is convertible to a fixed rate mortgage at a specific time and under specific conditions.

Cooperative: A type of multiple-unit housing in which the residents own shares in the corporation that owns the property. Each resident has the right to occupy a specific apartment or unit.

Covenant: A clause in a mortgage that obligates or restricts the borrower and, if violated, can result in foreclosure.

Credit Inquiry: A check of a borrower's credit history with a credit bureau.

Credit Report: A report of an individual's credit history prepared by a credit bureau/ repository and used by a lender in determining the borrower's creditworthiness.

Credit Score: A summary of a borrower's credit report and a numerical measurement that reflects a borrower's management of credit.

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Deed-in-Lieu of Foreclosure: An action taken by a lender when a borrower is unable to make the mortgage payments, has diligently worked with the lender to resolve the problem of default and has no liens against the property other than mortgage and taxes due and payable.

Deed of Trust: The document used in Alaska to give the lender a security interest in the property. Title is conveyed to a trustee by the borrower. When debt is paid in full, title is re-conveyed to the borrower.

Deed: The legal document conveying title to a property.

Default: The failure to make a mortgage payment when due or to comply with other requirements of the mortgage.

Delinquency: A situation where a payment on a loan is overdue.

Depreciation: A decline in value of a property due to market or other conditions. The opposite of appreciation.

Discount Points: See Points.

Down Payment: The part of the purchase price that the buyer pays in cash and does not finance with a mortgage.

Due-On-Sale Clause: A provision in a mortgage allowing the lender to demand payment in full on a mortgage if the borrower sells the property securing the mortgage.

Earnest Money: A deposit made by a potential homebuyer to show that he or she is serious about buying the house.

Earnest Money Agreement: A written contract between buyer and seller of a property establishing terms and conditions of sale.

Easement: A right of way giving persons other than the owner access to or over a property.

Energy Efficiency Interest Rate Reduction (EEIRR): A loan feature available to qualified Alaskans choosing a home loan with AHFC that allows a borrower to reduce the interest rate on a mortgage used to finance an energy efficient property. The interest rate reduction is available on new and existing properties and varies depending on the energy efficiency of the home and the accessibility to natural gas.

Equal Credit Opportunity Act (ECOA): A federal law that prohibits lenders from discriminating on the basis of the borrower's race, color, religion, national origin, age, sex, marital status or receipt of income from public assistance programs.

Equity Loan: A loan based on a percentage of the borrower's equity in a property.

Equity: A homeowner's financial interest in a property. It is the difference between the value of the property and any amounts owing against it.

Escrow: The holding of documents and money by a neutral third party prior to closing. Escrow also refers to an account held by lenders into which a homeowner pays money for taxes and insurance (also called reserves).

Fair Credit Reporting Act: A federal consumer protection law, that regulates disclosure of consumer credit reports by credit reporting agencies and establishes procedures for correcting mistakes on a credit report.

Fannie Mae: A federally chartered government sponsored secondary mortgage investor.

FHA 203(k) Rehabilitation Mortgage: A mortgage loan insured by the Federal Housing

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Administration that allows a borrower to purchase a property and rehabilitate it with proceeds from the loan.

FHA Mortgage: A mortgage loan insured by the Federal Housing Administration.

FHA Title 1 Home Improvement Loan: A loan that may be used to finance modest improvements when a homeowner has little equity in a home. The “Title 1 loan” is typically based on the creditworthiness of the borrower rather than the equity in the home.

First Mortgage: A mortgage that has first claim to the secured property in the event of default.

First-Time Homebuyer (FTHB) Loan Program: AHFC currently has two loan programs designed to assist first-time homebuyers. Tax-exempt FTHB loan program is funded by AHFC through the issuance of tax-exempt mortgage bonds. The first-time homebuyer must not have had ownership in a primary residence in the three years immediately preceding application for a mortgage loan. Additionally, the program places a limit on the total acquisition cost of the home as well as the borrower’s annual income. This program is also referred to as the Tax-Exempt Program (TEP). The taxable FTHB loan program is designed to provide a reduced interest rate to first-time homebuyers purchasing a home that exceeds the acquisition cost limits imposed by the federally mandated FTHB program. No income limits apply.

Flood Insurance: Insurance that compensates for physical property damage resulting from flooding. Flood insurance is required for properties located in federally designated flood areas.

Forbearance: The lender’s postponement of foreclosure to give the borrower time to catch up on overdue payments.

Foreclosure (Judicial and Non-Judicial): If a borrower defaults on a mortgage, the lender may call the note “due in full.” A foreclosure is a legal action taken by a lender to secure title to the property. At a foreclosure auction, the lender takes bids for the property. If there are no bidders, the lender then takes the property and attempts to sell it to recover its costs. A judicial foreclosure will take it one step further by suing the borrower for any outstanding funds due.

Freddie Mac: A federally chartered government sponsored secondary mortgage investor.

Graduated Payment Mortgage: A mortgage that starts out with low monthly payments that increase at specified times during the mortgage. The initial mortgage payments are set at an amount lower than that required to fully pay the loan over the agreed upon period of time or term. Since the initial payments do not cover the full payment due, the balance of the loan increases through negative amortization. Payments will increase to an amount that exceeds that payment the borrower will have paid on a fully amortizing loan. The increased payment will insure payment in full of the loan on its date of maturity.

Hazard Insurance: Insurance that compensates for physical damage to a property caused by fire, wind, vandalism or other hazards.

HECM: Home Equity Conversion Mortgage. See Reverse Mortgage.

HOEPA: The Home Ownership Equity Protection Act was passed in 1994, as a consumer protection amendment to the Truth-In-Lending Act to provide close scrutiny of the higher cost of mortgage loans.

Homeowner’s Insurance: A type of insurance that covers repairs to specified parts of a house for a specific period of time. It is provided by the builder or seller as a condition of sale.

HomeChoice™: A consumer education course provided by AHFC to educate the home buying public about purchasing and financing a home.

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HUD: The U.S. Department of Housing and Urban Development.

HUD-1 Statement: See Settlement Statement.

HUD-184: A federally guaranteed mortgage to qualified American Indians or Alaskan Natives.

ICBO (International Conference of Building Officials): An organization that develops criteria for minimum construction standards and tests and certifies inspectors in various facets of building construction.

ICC (International Code Council): Established to develop a single set of comprehensive and coordinated national model construction codes.

Interest: Fee charged for borrowing money.

Interest Rate Cap: A provision of an ARM limiting how much the interest rate can increase per adjustment period or over the life of the loan. See also Lifetime Cap.

Interest Rate Reduction for Low Income Borrowers (IRRLIB): A loan feature available through AHFC that allows a low-income borrower to decrease the interest rate on a mortgage loan if the total household income is less than median income for the area in which the home is located.

Late Charge: The penalty (generally expressed as a percentage of the principal and interest payment) a borrower must pay when a payment is made after the due date. In most mortgages, a late charge is not incurred until the 16th day of delinquency.

Lease with the Option to Purchase: A formal agreement between a buyer and seller that allows the buyer to occupy the home through a rental arrangement with intent to purchase the home at a later date. Typically, the rental amount on the home is increased to include an amount contributed to the down payment in the event a purchase occurs. AHFC allows a "rent credit" of only that amount of monthly rent that exceeds market rent.

Lien: A legal claim against a property. A lien must typically be paid off before a property is sold. Some liens are voluntary like those liens created by a loan. Other liens are involuntary like those liens placed on a property by an unpaid contractor.

Lifetime Cap: A limitation on the total increase in interest rate over the life of an ARM loan.

Loan Commitment: See Commitment Letter.

Loan Servicing: The collection of mortgage payments from borrowers and the related responsibilities of a loan servicer.

Loan-to-Value Percentage: The relationship between the unpaid balance on a mortgage and the value of the property. See Value for additional details.

Lock-In: A written agreement guaranteeing a borrower an agreed upon interest rate for a specified period of time.

Minimum Construction Standards: Construction standards established for homes built on or after June 30, 1992 and financed by an Alaska state agency. To be eligible for state financing, a home must be inspected at various stages: plans; footings and foundation; framing, electrical, plumbing and mechanical; insulation; and completion. The fee inspector must inspect the home for compliance with applicable building codes.

Mortgage: A legal document that pledges a property to the lender as security for payment of a debt.

Mortgage Banker: A company that originates mortgages exclusively for resale in the secondary mortgage market.

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Mortgage Broker: An individual or company that, for a fee, acts as intermediary between borrowers and lenders.

Mortgage Insurance Premium: Fee paid by a borrower to FHA or a private insurer for mortgage insurance.

Mortgage Insurance: See Private Mortgage Insurance.

Mortgage Interest Rate: Rate of interest in effect for the monthly payment due.

Mortgage Margin: Set percentage the lender adds to the index value to determine the interest of an ARM.

Mortgage Term: Agreed upon date the borrower has to pay a loan in full, typically 15 or 30 years.

Mortgagee: The lender in a mortgage transaction.

Mortgagor: The borrower in a mortgage transaction.

Negative Amortization: A gradual increase in the mortgage debt that occurs when the monthly payment is not large enough to cover the entire amount of principal and interest due. The amount of the shortfall is added to the unpaid principal balance, which results in "negative" amortization.

Note: A legal document obligating a borrower to repay a loan at a stated interest rate during a specified period of time. The note is secured by a mortgage or deed of trust.

Notice of Default: A formal written notice to a borrower that a default has occurred and that legal action may be taken by the lender.

Origination Fee: A fee paid to a lender for processing a loan application; it is typically stated as a percentage of the mortgage amount.

Overage: The difference between the lowest available price and any higher price that the homebuyer agrees to pay for the loan. Loan officers and brokers are often allowed to keep some or all of the difference as extra compensation.

Owner Financing: A purchase transaction in which the property seller provides some or all of the financing.

Payment Cap: A provision in some ARMs that limits the amount a payment can increase, regardless of the increase in interest rate. This cap may result in the payment amount being insufficient to cover the full principal and interest due. In this event, the shortfall will result in negative amortization.

PITI: Principal, interest, taxes and insurance. These are the components of a typical mortgage payment. In some cases, the payment may also include monthly property assessments, lease payments and homeowner's association dues.

Points: A one-time charge by the lender to increase the yield of the loan; a point is one percent of the loan amount.

Predatory Lending: There is no simple definition of predatory lending. Predatory practices are not defined in federal law, and states differ in the way they define abusive lending practices. Predatory lending practices may include the use of repeated refinancing to strip equity, charging interest rates and fees that far exceed the lender's costs and risks, steering consumers into high-cost loans, as well as other abusive lending practices.

Pre-negotiated Sale: is a process by which the parties involved in a mortgage (homeowner,

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lender, mortgage insurer) work toward resolution of a mortgage default by determining a way in which the property can be sold for an amount that may be less than the amount owed.

Prepaid: Fees collected at closing to cover items such as setting up escrow amounts for property taxes, homeowner's insurance and mortgage insurance premiums.

Prepayment Penalty: A fee charged to a borrower who pays off a mortgage loan prior to the maturity date. In Alaska, there is no prepayment penalty imposed on one-to-four family owner-occupied housing.

Prequalification: The process of determining if a borrower qualifies for a mortgage loan and at what amount. Typically, this includes verifying credit, income and available funds of the borrower.

Principal: Amount of money borrowed on a mortgage, exclusive of interest or finance charges or the unpaid balance. Principal also refers to that portion of the mortgage payment that reduces the outstanding balance.

Private Mortgage Insurance (PMI): Insurance provided by a non-governmental insurer that provides the lender some protection against a borrower's default. In most cases, AHFC requires that conventional mortgages be insured by PMI if the loan-to-value exceeds 80 percent.

Qualifying Ratios: Guidelines established by lenders and insurers to determine whether a borrower's income is sufficient to cover the proposed mortgage payment.

Radon: An invisible, odorless gas found in some homes that in sufficient concentrations may cause health problems.

Real Estate Licensee: A person licensed to negotiate and transact the sale of real estate on behalf of the property owner.

Real Estate Settlement Procedures Act (RESPA): A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

Home Energy Rebate: A means of compensating Alaskans up to $10,000 who make approved energy-efficient improvements to their homes. This is funded by the State of Alaska.

Recapture Tax: Paying back the federal government for the benefit of a lower interest mortgage loan. Recapture applies when the borrower sells the home within the first nine years of ownership, realizes a capital gain on the sale, and the borrower's income increases above the federal allowable limits at the time of sale. No recapture exists unless all three conditions occur.

Refinancing: The process of paying off one loan with proceeds from a new loan using the same property as collateral.

Reverse Mortgage: Also called a Home Equity Conversion Mortgage (HECM), allows a homeowner, 62 or older, to convert the equity in his or her home into cash. Equity in the home can be paid to the homeowner in a lump sum or payments. No repayment is required until the borrower(s) no longer use the home as their principal residence.

Second Mortgage: A mortgage that has a lien position subordinate to the first mortgage. AHFC offers second mortgages for health and safety repairs, renovations and energy conservation improvements as noted in an energy audit.

Secondary Mortgage Market: Buying and selling of existing mortgages.

Seller Take-Back: An agreement in which the owner of a property provides financing, often in combination with an assumed mortgage.

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Settlement Statement: Sometimes referred to as the HUD-1, this is a computation of costs payable at time of closing that determines the seller's net proceeds and the buyer's net payment.

Settlement: See Closing.

Small Community: A small community is defined by Alaska state statutes as a community with a population of 6,500 or fewer not connected to Anchorage or Fairbanks by road or rail, or a community on the road or rail system of 1,600 or fewer. Connection by road or rail does not include a connection by the Alaska Marine Highway system. In addition to the definition provided in statutes, AHFC further defines a small community as one that is at least 50 miles from Anchorage and 25 miles from Fairbanks.

Suite on Note: A mortgage lender has the right to avoid the foreclosure process altogether and sue the borrower for funds due. Rather than taking the property through foreclosure and going through the trouble and cost of managing, maintaining and marketing the home, the lender may determine that it is best to avoid the foreclosure process, leave the borrower and obtain a judgment for the debt from the courts.

Survey: A drawing or map showing precise boundaries of a property and the location of improvements, easements, rights of way, encroachments, and other physical features, such as wells and septic systems, fences and storage buildings.

Taxable Loan Program: This AHFC loan program is funded through the sale of taxable mortgage bonds. The program has no borrower income restrictions and is available to any qualified Alaskan.

Teacher and Healthcare Professionals Housing Loan Program: An AHFC loan option that promotes retention of education and healthcare professionals in the State of Alaska by providing 100 percent conventional financing to qualified borrowers.

Tenancy by the Entirety: A type of joint ownership of a property that provides rights of survivorship and is available only to a husband and wife.

Tenancy in Common: A type of joint ownership in a property without rights of survivorship.

Tenant in Severalty: A type of sole ownership in a property without any other person being joined in said ownership and with no rights of survivorship.

Title Company: A company that specializes in examining and insuring titles to real estate.

Title Insurance: Insurance to protect the lender (ALTA lender's policy) or the buyer (Owner's policy) against loss arising from disputes over ownership of property.

Title Search: An examination of public records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

Title: A legal document evidencing a person's right to, or ownership of, a property.

Truth-In-Lending Act (TIL): A federal law that requires lenders to fully disclose, in writing, terms and conditions of a mortgage, including APR and other charges, as well as whether the loan is assumable.

Treble Damages: Three times the amount of actual damages awarded by a court when damages were caused by grossly negligent or willful acts.

Underwriting: Process of evaluating a borrower's mortgage application to determine risk involved for the lender. It involves analysis of the borrower's creditworthiness and the quality of the property being used as collateral for the loan.

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USDA: United States Department of Agriculture. A federal agency offering various programs, including homeownership, in rural communities across the United States.

VA Loan: A loan guaranteed by the U.S. Department of Veterans Affairs.

Value: The sales price or appraised value of a property, whichever is less in mortgage lending.

Veterans Mortgage Program (VMP): This loan program is offered by AHFC to qualified veterans. It is funded from the sale of tax-exempt mortgage bonds. To be eligible for the program, a qualified veteran must apply to AHFC within 25 years of his/her date of discharge from "active duty service." Qualified Veterans may be retired or active duty personnel.

Weatherization: An energy program offered through AHFC whereby income qualified individuals apply for and receive free weatherization assistance for the home they rent or own.

Yield: The ratio of income over investment over a period of time.

References

Federal Laws

There are many federal laws designed to protect borrowers when they apply for or close a mortgage loan. Educated borrowers who understand their rights under lending contracts, and who know how to exercise those rights, launch the best defense against predatory lenders. As the knowledge base of consumers grows, the market for credit-at-any-cost diminishes. As a potential borrower, you owe it to yourself to be familiar with the laws described below:

Equal Credit Opportunity Act (ECOA)

This law is designed to eliminate discrimination in mortgage lending. A lender may not make a loan decision, set an interest rate or base fees on the basis of race, color, religion, national origin, sex, age, marital status or receipt of public assistance.

Fair Credit Reporting Act (FCRA)

This law is designed to protect consumers from unfair reporting of credit by credit repositories. The law prescribes limitations for reporting adverse credit such as foreclosures, delinquencies, collections, suits and judgments. The credit repository is obligated to investigate claims of incorrect credit reporting and take appropriate and timely steps to correct errors.

Real Estate Settlement Procedures Act (RESPA)

This law requires the lender to provide you with an estimate of closing costs within three days of your application for a mortgage loan. Additionally, you will be provided an opportunity to review your closing settlement statement prior to closing.

Truth-in-Lending Statement (Regulation Z)

This law requires the lender to provide you with an accounting of all charges on your mortgage loan and calculate the annual percentage rate (APR). The APR is different than the mortgage note rate because it includes all prepaid items such as loan origination fees, commitment fees, discount points and prepaid interest. The APR is never less than the note rate, and in most cases, will be higher. The truth-in-lending (TIL) statement will also provide information about the whether your loan is assumable, whether mortgage insurance is required, and whether a prepayment penalty can be assessed.

Homeownership Equity Protection Act (HOEPA)

Passed by Congress in 1994, as a consumer protection amendment to the Truth-In-Lending Act, HOEPA provides close scrutiny of higher cost mortgage loans. Examples of loans subject to HOEPA are those with an APR exceeding the treasury rate of comparable maturity by more than 10 percentage points and loans with non-interest fees of more than 8 percent of the loan amount. The overall intent of HOEPA is to broaden the scope of mortgage loans subject to coverage and thereby prohibiting specific acts and practices that might further damage prospective borrowers.

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Dodd-Frank Act of 2010
The act established the Consumer Financial Protection Bureau (CFPB) to educate consumers against abusive financial practices and enforce federal consumer financial laws.

Predatory Lending
While predatory lending covers a potentially broad range of behavior, it does not lend itself to a concise or comprehensive definition. Typically however, predatory lending involves at least one, and perhaps all three of the following elements:

Making unaffordable loans based on the assets of the borrower rather than on the borrower's ability to repay the obligation ("Asset-Based Lending").

1. Inducing a borrower to refinance a loan repeatedly in order to charge high points and fees each time the loan is refinanced ("Loan Flipping").
2. Engaging in fraud or deception to conceal the true nature of the loan obligation from an unsuspecting or unsophisticated borrower.
3. Practices such as these can result in borrowers losing much of the equity in their home, or even the home itself, and are commonly targeted at the elderly, minority, or first time homebuyer populations.

Notes

Worksheet #1: Six-Month Expense Tracking

Keep an accurate accounting of expenses during the months to come. This worksheet should be used to track fixed and discretionary expenses. Use it to trim expenses.

Spending Category	Estimate	Six-Month Actual Spending						YTD +/-
Savings								
Monthly Housing Expenses								
Rent/Mortgage								
Taxes								
Renters or Home Owners Insurance								
Repairs (Maintenance)								
Other								
Utilities								
Nat Gas/Propane/Heating Oil/Wood								
Electric								
Waste/Water								
Trash								
Telephone and Cell Phone								
Cable/Internet								
Food/Groceries/Dining out								
Monthly Child Care Expense								
Day Care								
Child Support								
After School Activities								
Tuition/School Expense								
Clothing								
School Lunches								
Sports								
Allowance								
Vehicle Expenses								
Vehicle Payment/Lease								
Gasoline / Diesel Fuel								
Maintenance & Repairs								
Insurance								
Vehicle Registration/Tags/Inspections								
Payroll Deductions								
Retirement Funds								
Medical Insurance								
Other								
Life Insurance								
Transportation								
Bus								
Taxi								
Church and Charity								
TRACKING SHEET SUBTOTAL:								

Spending Category	Estimate	Six-Month Actual Spending						YTD +/-
Health Care (Not paid by insurance)								
Medical Care Visits								
Pharmacy								
Vision / Dental								
Other								
Entertainment								
Fitness Club								
Internet								
Theatre/Concerts								
Music								
DVD Rentals								
Book /Magazine Subscriptions								
Laundry and Dry Cleaning								
Vacations								
Airfare								
Car Rental								
Hotel/Motel								
Dining								
Entertainment								
Other								
Birthdays/Holidays/Anniversaries								
Gifts								
Parties								
Decorations/Cards								
Continuing Education/Higher Education								
Tuition								
Books								
Room and Board								
Other								
Job-Related Expenses								
Union Dues								
Uniforms								
Occupational Licensing								
Furniture & Appliances								
Personal Spending								
Clothing								
Haircuts								
Alcoholic beverages								
Cigarettes								
Recreational Activities								
Stuff								
Other								
Emergencies								
Goals								
Other (List separately)								
TRACKING SHEET SUBTOTAL:								
TOTAL OF BOTH SHEETS:								

Worksheet #2: The Homebuying Process

This form is designed to show you the many steps of purchasing a home and obtaining a mortgage to finance the purchase.

- ☐ Shop for a lender
- ☐ Prequalify for a mortgage
- ☐ Choose a real estate licensee
- ☐ Shop for a home
- ☐ Request seller's disclosure
- ☐ Check energy rating
- ☐ Make an offer to purchase
- ☐ Accept offer made by seller
- ☐ Make formal application for a mortgage
- ☐ Obtain home inspection
- ☐ Receive property appraisal
- ☐ Send loan package to underwriting
- ☐ Lender's underwriter approves loan
- ☐ Obtain preliminary title report
- ☐ Obtain well and septic system inspection
- ☐ Obtain as-built survey
- ☐ Make arrangements for utilities
- ☐ Make arrangements for homeowners/hazard insurance
- ☐ Take final walkthrough of the home
- ☐ Closing—bring cashier's check or certified check
- ☐ Recording of documents
- ☐ Move in

Worksheet #3: Loan Interview Checklist

Check off each item as you prepare for your loan interview.

- ☐ Obtain a copy of your current credit report
- ☐ Review credit history and prepare corrections or explanations

Assemble documents below and have them available for your lender.

- ☐ List of your available cash (include names of depositories plus account numbers and approximate balances)
- ☐ List of current debts (list names of creditors plus account numbers and approximate balances)
- ☐ List of all employers, positions and salaries for previous two years
- ☐ Earnest Money Agreement
- ☐ Personal check for application fees
- ☐ Last two years' tax returns (including supporting schedules and W2 forms). If applying for a first-time homebuyer loan, provide last three years' tax returns
- ☐ Copies of last three months' bank statements
- ☐ Year-to-Date Profit and Loss Statement and current balance sheet (for self-employed borrowers)
- ☐ Copies of stocks or bonds that 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)
- ☐ Other____

Worksheet #4: Comparison of Payment Schedules

Loan amount:	$220,000	Term in years:	30
Annual interest rate:	4%	Payments per year:	12

	Standard Payment	Additional $50 principle payment
P&I payment:	$1,050	$1,100
Total principal and interest paid:	$378,109	$363,058
Interest saved:	0	$15,052
Length of loan:	30 years, 0 months	27 years, 6 months
Time saved:	0	2 years, 6 months

Principal and interest payments for standard payment of $1,050.31

No	Interests	Principal	Balance
1	733.33	316.98	219,683.02
2	732.28	318.04	219,364.98
3	731.22	319.10	219,045.89
4	730.15	320.16	218,725.73
5	729.09	321.23	218,404.50
6	728.01	322.30	218,082.20
7	726.94	323.37	217,758.83
8	725.86	324.45	217,434.37
9	724.78	325.53	217,108.84
10	723.70	326.62	216,782.22
11	722.61	327.71	216,454.52
12	721.52	328.80	216,125.72
1 Yr	**8,729.48**	**3,874.28**	
13	720.42	329.89	215,795.83
14	719.32	330.99	215,464.83
15	718.22	332.10	215,132.73
16	717.11	333.2	214,799.53
17	716.00	334.32	214,465.21
18	714.88	335.43	214,129.78
19	713.77	336.55	213,793.24
20	712.64	337.67	213,455.57
21	711.52	338.80	213,116.77
22	710.39	339.92	212,776.85
23	709.26	341.06	212,435.79
24	708.12	342.19	212,093.60
2 Yr	**8,571.64**	**4,032.12**	
25	706.98	343.33	211,750.26
26	705.83	344.48	211,405.78
27	704.69	345.63	211,060.15
28	703.53	346.78	210,713.37
29	702.38	347.94	210,365.44
30	701.22	349.10	210,016.34
31	700.05	350.26	209,666.08
32	698.89	351.43	209,314.66
33	697.72	352.60	208,962.06
34	696.54	353.77	208,608.28
35	695.36	354.95	208,253.33
36	694.18	356.14	207,897.20
3 Yr	**8,407.36**	**4,196.40**	

Principal and interest payments with additional $50 on principle payments ($1,100.31)

No	Interests	Principal	Balance
1	733.33	366.98	219,633.02
2	732.11	368.2	219,264.82
3	730.88	369.43	218,895.39
4	729.65	370.66	218,524.72
5	728.42	371.90	218,152.82
6	727.18	373.14	217,779.69
7	725.93	374.38	217,405.31
8	724.68	375.63	217,029.68
9	723.43	376.88	216,652.80
10	722.18	378.14	216,274.66
11	720.92	379.40	215,895.26
12	719.65	380.66	215,514.60
1 Yr	**8,718.36**	**4,485.40**	
13	718.38	381.93	215,132.67
14	717.11	383.20	214,749.46
15	715.83	384.48	214,364.98
16	714.55	385.76	213,979.21
17	713.26	387.05	213,592.16
18	711.97	388.34	213,203.83
19	710.68	389.63	212,814.19
20	709.38	390.93	212,423.26
21	708.08	392.24	212,031.02
22	706.77	393.54	211,637.48
23	705.46	394.86	211,242.62
24	704.14	396.17	210,846.45
2 Yr	**8,535.62**	**4,668.15**	
25	702.82	397.49	210,448.96
26	701.5	398.82	210,050.14
27	700.17	400.15	209,650.00
28	698.83	401.48	209,248.52
29	697.50	402.82	208,845.70
30	696.15	404.16	208,441.54
31	694.81	405.51	208,036.03
32	693.45	406.86	207,629.17
33	692.10	408.22	207,220.95
34	690.74	409.58	206,811.37
35	689.37	410.94	206,400.43
36	688.00	412.31	205,988.12
3 Yr	**8,345.43**	**4,858.33**	

Worksheet #5: Yearly Home Maintenance Checklist

Fall

- ☐ Check all weather stripping and caulking around windows and doors. Replace or repair as needed
- ☐ Check for cracks and holes in house siding; fill with caulking as necessary
- ☐ Remove any window air conditioner or use weather proof cover
- ☐ Take down removable screens. Clean and store.
- ☐ Clean and repair storm windows and doors
- ☐ Drain outside faucets
- ☐ Clean leaves from gutters and drain pipes
- ☐ Check roof for leaks; repair as needed
- ☐ Check insulation and replace or add as needed
- ☐ Check flashing on vents, skylights and chimneys
- ☐ Check chimney for damaged cap or loose mortar
- ☐ Change smoke detector batteries
- ☐ Get heating system serviced. Change furnace filters
- ☐ Do maintenance on hot water heater recommended by manufacturer. Get professional help if needed.
- ☐ Check leaky faucets and replace washers as needed
- ☐ Check and clean refrigerator coils
- ☐ Check and clean major appliances (humidifiers, air filters, etc.) according to manufacturer's instructions
- ☐ Check all fire extinguishers, review instructions for use and replace as needed
- ☐ Other:

Spring

- ☐ Check weather stripping and caulking around windows and doors, Replace or repair as needed
- ☐ Check outside of house for cracked or peeling paint. Caulk and repaint as needed
- ☐ Remove, clean, and store removable storm windows
- ☐ Check all door and window screens. Patch or replace as needed. Store removable screens.
- ☐ Replace batteries in all smoke detectors when you change your clocks for standard time
- ☐ Replace filters on air conditioners
- ☐ Check and clean vents and filters on dryer, stove, and room fans
- ☐ Check seals on refrigerator and freezer. Clean coils and burner surfaces and adjust burners
- ☐ Check basement walls and floors for dampness and make repairs as needed
- ☐ Clean fireplace; leave damper open for improved ventilation if house is not air conditioned
- ☐ Check leaky faucets and replace washers as needed
- ☐ Check attics, basements, and all rooms for fire or other hazards. Clean all areas.
- ☐ Clean and repair draperies, blinds and windows
- ☐ Clean garage and discard all hazardous materials; store all toxic chemicals safely and out of the reach of children
- ☐ Other:

Worksheet #6: Maintaining Your Home

Foundation & Masonry: Basement, Exterior Walls: to prevent seepage and condensation problems	Periodically	Spring	Fall	Annual
Check basement for dampness and leakage after rain	X			
Check foundation walls, steps, retaining walls, walks, patios, driveways, garage floors for cracks, heaving or crumbling		X		
Check chimneys, deteriorated chimney caps, loose and missing mortar		X	X	
Maintain grading sloped away from foundation walls				X
Roofs and Gutters: to prevent room leaks, condensation, seepage, and decay problems				
Check for damaged, loose or missing shingles, blisters		X	X	
Check for leaking, misaligned or damaged gutters, downspouts (leaders), hangers (straps), gutter guards and strainers		X	X	
Clean gutters, leaders, strainers, window wells, drains. Be sure down-spouts direct water away from foundation	X			
Cut back tree limbs growing on or over roof			X	
Check flashing and around roof stacks, vents, skylights, chimneys, as a source of leakage		X	X	
Check vents, louvers and chimneys for bird or squirrel nests		X	X	
Check fascias and soffits for paint flaking, leakage, and decay		X		
Exterior Walls: to prevent paint failure, decay and moisture penetration problems				
Check painted surface for paint flaking for failure		X		
Check siding, shingles, and trim for damage, looseness, warping, and decay	X			
Check exterior masonry walls for cracks, looseness, missing or broken mortar		X		
Cut back and trim shrubbery against side walls		X	X	
Doors & Windows: to prevent air and weather penetration problems				
Check caulking and check for decay around doors, windows, corner boards, joints; re-caulk as needed			X	
Check glazing putty and windows			X	
Check weather-stripping			X	
Electrical: for safe electrical performance				
Learn location of electrical panel box for breakers or fuses. Never over-fuse.				
Trip circuit breakers every six months and ground fault interrupters (GFI) monthly	X			
Mark and label each circuit	X			
Check condition of lamp cords, extension cords and plugs. Replace at first sign of wear and damage	X			
Check exposed wiring and cable for wear or damage	X			

	Periodically	Spring	Fall	Annual
If fuses blow or breakers trip frequently, have a licensed electrician determine cause	X			
If you experience slight tingling shock from handling or touching an appliance, disconnect the appliance & have it repaired. If lights flicker or dim, or if appliances go on and off unnecessarily, call a licensed electrician	X			
Plumbing: for prevention maintenance				
Check faucets, hose bits, and valves for leakage	X			
Drain exterior water lines, hose bibs, sprinklers			X	
Check for leaks at sink and house traps and sewer clean-outs	X			
Draw off sediment in water heaters monthly or per manufacturer's instruction	X			
Have septic tank cleaned every two (2) years	X			
Heating and Cooling: for comfort, efficiency, energy conservation, and safety				
Change or clean furnace filters, air conditioner filters, electronic filters as needed	X			
Clean and service humidifier. Check periodically and annually	X			X
Have oil burning equipment serviced				X
Clean around heating and cooling equipment, removing leaves, dust, overgrown shrubbery and debris. Be sure power is off	X			
On steam systems, "blow off" or drain low water cutoff per manufacturer's instructions	X			
Interior: general house maintenance				
Check bathroom tile joints, tub grouting & caulking. Be sure all tile joints in bathrooms are kept well sealed with tile grout to prevent damage to walls, floors, and ceilings below	X			
To prevent freezing, keep garage doors closed in winter; exposed water lines and drains should be wrapped with insulation	X		X	
Close crawl space vents in winter and open in summer		X	X	
Check underside of roof for water stains, leaks, dampness, and condensation, particularly in attics and around chimneys				X
Keep attic louvers and vents open all year round. Check louver screening				X
Know the location of:				
The main water shutoff valve				
The main electrical disconnect or breaker				
The main emergency shutoff switch for the heating system				
Check condition of lamp cords, extension cords and plugs. Replace at first sign of wear and damage				

Worksheet #7: List of Tools Needed for Your Home

At some point in home ownership you will need to complete maintenance or minor repairs on your home. Here are a list to tools and other items that are a smart investment for any homeowner.

HAND TOOLS

- Hammer
- Screw drivers (mixed set of philips and flat heads in different sizes)
- Locking pliers
- Wire cutters
- Measuring tape
- Electric tester
- Utility knife
- Handsaw
- Palm-size level
- Safety glasses
- Tool box

YARD AND GARDEN TOOLS / SUPPLIES

- Rake
- Shovel
- Hose
- Snow shovel or snow blower
- Ladder
- Lawn mower
- Gloves
- Broom
- Dust pan
- Trash can

INTERIOR TOOLS /SUPPLIES

- Broom
- Dust pan
- Vacuum
- Mop
- Mop bucket
- Toilet brush
- Flashlight or candles
- Batteries
- Light bulbs
- Trash cans

Worksheet #8: Helpful Links

For more information on various areas of the home buying process, see the following websites:

Alaska Housing Finance Corporation: Single-family and multi-family financing, Home Energy Rebate Program, Research Information Center Library, housing, and more! www.ahfc.us

CONSUMER GROUPS

Alaska Legal Services Corporation
http://www.alsc-law.org/housing/

Consumer Financial Protection Bureau
www.consumerfinance.gov

Federal Trade Commission (FTC)
www.ftc.gov

CREDIT

Annual Credit Report (free annual credit report)
www.annualcreditreport.com

Score Info: FICO Takeaway
www.scoreinfo.org

BUDGETING

Money Management International
www.moneymanagement.org

Consumer.gov
www.consumer.gov

ENERGY

Energy Star Program and Products
www.energystar.gov

Home Energy Rebate Program
www.ahfc.us

WEATHERIZATION PROGRAM (BASED ON COMMUNITY)

Alaska Community Development Corporation (ACDC)
Community: Mat-Su, Kenai Peninsula, Copper Valley, Southeast (except Juneau),
Bristol Bay, Prince William Sound, Aleutians, Kodiak
Phone : 907.746.5680 or 800.478.8080
www.alaskacdc.org

Baranof Housing Authority
Community: City and Borough of Sitka
Phone: 907. 747.5088
http://bihasitka.org/Programs/weatherization.asp

Cook Inlet Housing Authority
Community: Anchorage, Kenai, Mat-Su
Phone: 907.793.3026
http://www.cookinlethousing.org/weatherization

Copper River Basin Regional Housing Authority
Community: Glennallen and surrounding areas
Phone: 907.822.3662 or 800.478.3633
www.crbrha.org/

Interior Regional Housing Authority (IRAHA)
Community: Rural communities in the Doyon Region
Phone: 907.452.8315 or 800.478.IRHA(4742)
http://irha.org/weatherization.php

Interior Weatherization
Community: Fairbanks/North Star Borough, Road System: South to Cantwell and East to Delta Junction
Phone #: 907.452.5323 or 800.478.5323
http://interiorwx.org

Kenaitze Indian Tribe
Community: Kenai Peninsula
Phone: 907. 335.7200
www.kenaitze.org/index.php/housing

Ketchikan Indian Community (KIC)
Community: Ketchikan Gateway Borough
Phone: 907.228.4900 or 800.252.5158
http://kictribe.org/programs/index.html

Kodiak Island Housing Authority
Community: Kodiak
Phone: 907.486.8111
www.kodiakislandhousing.com/Weatherization-Renovation.html

Nome Eskimo Community
Community: Nome and surrounding areas
http://necalaska.org/services.html

North Pacific Rim Housing Authority
Community: Mutual Help Homes in Chenega, Nanwalek, Port Graham, Tatitlek
Phone: 907.562.1444(Anchorage) or 888. 274.1444
www.nprha.com/programs.htm

Northwest Inupiat Housing Authority
Community: Kotzebue and surrounding area
Phone: 907.422.3450

Rural Alaska Community Action Program (RurALCAP)
Community: Anchorage, Juneau, Northern Alaska, Western Alaska
Phone #: 907.279.2511 or 800.478.6343
http://ruralcap.com

Tanana Chiefs Conference (TCC)
Community: Interior Alaska
www.tananachiefs.org/get-assistance/energy/interior-housing

Tlingit-Haida Regional Housing Authority
Community: Southeast area
Phone: 907.780.6868
www.thrha.org

FINANCIAL

Alaska Housing Finance Corporation
Mortgage Hotline: 907.330-8400 or 888.854.3884
www.ahfc.us

HUD 184 Loan Guarantee Program
www.hud.gov/offices/pih/ih/homeownership/184

USAD – Rural Development
www.rurdev.usda.gov/RD_Loans.html

AHELP (Affordable Housing Enhanced Loan Program)
Alaska Community Development Corporation (ACDC)
Home Opportunity Program (HOP)
Self-Help Housing Program
http://alaskacdc.org/home-opportunity-program

Fairbanks Neighborhood Housing Services
http://fnhs.org/ownership.html

NeighborWorks Anchorage
www.nwanchorage.org

Tagiugmiullu Nunamiullu Housing Authority (TNHA)
Home-Ownership Program
www.tnha.info/

HOMEOWNERS INSURANCE

Division of Insurance, State of Alaska
http://commerce.alaska.gov/dnn/ins/Home.aspx

Homeowner's Insurance Guide
http://commerce.alaska.gov/dnn/ins/Home.aspx
Look for Publications>Homeowners Insurance Guide

C.L.U.E. Home Seller's Disclosure Report
5-year insurance loss history for a given address
http://personalreports.lexisnexis.com/homesellers_disclosure_report/landing.jsp

RESEARCH

Joint Center for Housing Studies
Annual publication on the State of the Nation's Housing
http://www.jchs.harvard.edu/research/state_nations_housing

OTHER

Alaska Community Development Corporation (ACDC)
http://alaskacdc.org

Department of Environmental Conservation (Alaska)
http://dec.alaska.gov/

Housing Authorities
Association of Alaska Housing Authorities
List of Alaska's 14 Housing Authorities
www.aahaak.org/

Housing and Realty
Native Village of Barrow
http://nvbarrow.com/

Housing Improvement Program
Association of Village Council Presidents
Community: Bethel and surrounding areas
www.avcp.org

Bristol Bay Housing Authority
http://bbha.org/

ALASKA REAL ESTATE COMMISSION
CONSUMER PAMPHLET

About This Pamphlet:

*In Alaska, a Real Estate Licensee is **required by law** to provide this pamphlet outlining the duties of a real estate licensee. After you have read the information contained in this pamphlet, please acknowledge receipt by signing **page 2** and return it to the real estate licensee who provided it to you. Your cooperation is appreciated.*

There are four different types of relationships established by Alaska Real Estate Law:

- Specific Assistance – Licensee owes “Duties owed by a Licensee in all Relationships” as described in this pamphlet.
- Representation – Licensee owes “Duties Owed by a Licensee when Representing a Party” as described in this pamphlet.
- Designated Licensee – This occurs when a Licensee represents or provides specific assistance to a party to a transaction and another Licensee within the same company represents or provides specific assistance to the other party in the same transaction.
- Neutral Licensee – This occurs when a Licensee does not represent either party but provides specific assistance to both parties in the same transaction. The parties must authorize the Neutral Licensee relationship by signing the “Waiver of Right to be Represented” form.

Duties owed by a Licensee in all Relationships:

- Exercise reasonable skill and care;
- Deal honestly and fairly;
- Present all written communications in a timely manner;
- Disclose all material information regarding the physical condition of a property;
- Account for all money and property received.

Duties owed by a Licensee when Representing a Party:

- Duties owed by Licensee in all relationships listed above;
- Not knowingly do anything that is adverse or detrimental to your interests;
- Disclose all conflicts of interests to you in a timely manner;
- If a matter is outside their area of expertise, advise you to seek expert advice;
- Not disclose confidential information, even after the relationship ends, from or about you without written permission, except under a subpoena or court order;
- Make a good faith and continuous effort to accomplish your real estate goals. However, once you have entered into a specific real estate transaction agreement, their efforts refocus on its successful completion.

Your Real Estate Licensee may also work with a variety of other clients (they represent) and customers (they provide specific assistance to) in different working relationships. In those situations, representing or providing specific assistance to other sellers, buyers, lessors, and lessees does not create a conflict of interest while working with you, or within the duties mentioned above.

Occasionally, as a Seller or Lessor, a situation may arise that your Real Estate Licensee also is representing another client (Buyer or Lessee) who then becomes interested in your property – or vice versa.

Prior to showing the property, the Real Estate Licensee must obtain a written approval to be a Neutral Licensee for both parties. A Licensee may not show property as a neutral licensee without obtaining your written consent entitled “Waiver of Right to Be Represented” and it will restate the duties outlined above and additional ones owed by your Real Estate Licensee. Alaska real estate law allows, but does not require, you to **Preauthorize** a Licensee to be a “Neutral Licensee.” Having a different designated Licensee working for a seller or lessor and for the buyer or lessee in the same real estate transaction does not create dual agency or a conflict of interest for the real estate broker or for a Licensee employed by the same real estate broker.

THIS DISCLOSURE PAMPHLET IS NOT A CONTRACT

Duties **NOT** owed by a Real Estate Licensee

Unless agreed in writing otherwise, the following are the duties your Real Estate Licensee does not owe to you:

- To conduct an independent investigation of a property
- To conduct an independent investigation of anyone's finances
- To independently verify the accuracy or completeness of a statement made by a party to a real estate transaction or by a person reasonably believed by the licensee to be reliable
- To show or search for properties without compensation

THIS DISCLOSURE PAMPHLET IS NOT A CONTRACT.

The Licensee anticipates compensation to be paid by ______ buyer/lessee, _______ seller/lessor, or ___________ both to the real estate brokers in the real estate transaction.

I understand and acknowledge receiving and reading this pamphlet on the type of relationships I may have with the real estate Licensee (including the broker).

I understand and acknowledge that ____ (Licensee) of ______________

_____________________________________ (company) will be working with me under the following relationship:

_______ Specific Assistance without Representation

_______ Representing the Seller/Lessor only (may assist Buyer/Lessee)

_______ Representing the Buyer/Lessee only (may assist Seller/Lessor)

_______ Under preauthorized Neutral Licensee (attached "Waiver of Right to Be Represented")

Date: _________________ Time: _________ ____

Date: _________________ Time: _________ ____

Date: _________________ Time: _________ ____
Real Estate Licensee

____
Real Estate Company

THIS DISCLOSURE PAMPHLET IS NOT A CONTRACT

Form #2: AREC Waiver of Right to be Represented

ALASKA REAL ESTATE COMMISSION
WAIVER OF RIGHT TO BE REPRESENTED

About This Form:

In Alaska, Real Estate Licensees are ***required by law*** *to provide this document, in conjunction with the "Consumer Pamphlet," outlining the duties of a real estate licensee when acting in a neutral capacity. After you have read the information please indicate your approval by signing below and returning it to the licensee you are working with. Your cooperation is appreciated.*

Duties of a Neutral Licensee:

Occasionally, a Licensee is "Representing" a client (Buyer or Lessee) that has interest in acquiring a property where the Seller or Lessor is also "Represented" by the same Licensee. Prior to showing the property, the Licensee must obtain written approval from both parties to change their working relationship from representation to providing specific assistance in a neutral capacity.

A Licensee in a "Neutral" capacity owes both parties the following duties:

- Exercise reasonable skill and care;
- Deal honestly and fairly;
- Present all written communications in a timely manner;
- Disclose all materials information regarding physical condition of a property;
- Account for all money and property received;
- Not knowingly do anything that is adverse or detrimental to your interests;
- Disclose all conflicts of interest to you in a timely manner;
- If a matter is outside their area of expertise, advise you to seek expert advice;
- Not disclose confidential information, even after the relationship ends, from or about you without written permission, except under a subpoena or court order to include:
    - What you are willing to pay or accept for the property
    - What terms you are willing to accept, if different than what you have offered

In the event of the situation described above, I hereby acknowledge that I am waiving my right to be "Represented" and authorized the undersigned Licensee to act in a "Neutral" capacity.

Buyer/Seller/Lessee/Lessor	Date	Buyer/Seller/Lessee/Lessor	Date
Real Estate Licensee	Date	Real Estate Company	

Additional Authorization:

I hereby authorize the "Neutral" Licensee to engage in the following conduct in a good faith effort to assist in reaching final agreement in a real estate transaction:

- Analyzing, providing information on, or reporting on the merits of the transaction to each party;
- Discussing the price, terms, or conditions that each party would or should offer or accept; or
- Suggesting compromises in the parties' respective bargaining positions.

Buyer/Seller/Lessee/Lessor	Date	Buyer/Seller/Lessee/Lessor	Date

08-4212 (06/06)

Form #3: State of Alaska Residential Real Property Transfer Disclosure Statement

State of Alaska
Residential Real Property Transfer Disclosure Statement

Prepared in compliance with Alaska Statute (AS) 34.70.010 - 34.70.200

General Information

AS 34.70.010 requires that before the Transferee/Buyer (hereafter referred to as **Buyer**) of an interest in residential real property makes a written offer, the Transferor/Seller (hereafter referred to as **Seller**) must deliver a completed written disclosure form. This disclosure statement is in compliance with AS 34.70.010. It concerns the residential real property* located in the ___________________________ Recording District, ________________________ Judicial District, State of Alaska.

Legal Description: ____

Property Address/City/Other: ____

* *Residential real property means any single family dwelling, or two single family dwelling units under one roof, or any individual unit in a multi-unit structure or common interest ownership community whose primary purpose is to provide housing. AS 34.70.200(2) and (3).*

AS 34.70.020 provides that if a disclosure statement or material amendment is delivered to the transferee after the transferee has made a written offer, the transferee may terminate the offer by delivering a written notice of termination to the transferor or the transferor's licensee within three days after the disclosure statement or amendment is delivered in person or within six days after the disclosure statement or amendment is delivered by deposit in the mail.

AS 34.70.040(b) provides that if an item that must be completed in the disclosure statement is unknown or is unavailable to the Seller, and if the Seller or Seller's agent has made a reasonable effort to ascertain the information, the Seller may make an approximation based on the best information available to the Seller or Seller's agent. It must be reasonable, clearly labeled as an approximation, and not used to avoid the disclosure requirements of AS 34.70.010 – AS 34.70.200.

All disclosures made in this statement are required to be made in good faith (AS 34.70.060). The Seller is required to disclose defects or other conditions in the real property or the real property interest being transferred. To comply, disclosure need not include a search of the public records, nor does it require a professional inspection of the property.

If the information supplied in this disclosure statement becomes inaccurate as a result of an act or agreement after the disclosure statement is delivered to the Buyer, the Seller is required to deliver an amendment to the disclosure statement to the Buyer. An addendum/amendment form for that purpose may be attached to this disclosure statement.
Upon delivery to a buyer, any inspection/reports generated by a purchase agreement of this property automatically becomes an addendum/amendment to the property disclosure.

Exemption for First Sale: Under AS 34.70.120, the first transfer of an interest in residential real property that has never been occupied is exempt from the requirement for the Seller to complete the Disclosure Statement.

Waiver by Agreement: Under AS 34.70.110, completion of this disclosure statement may be waived when transferring an interest in residential real property if the Seller and Buyer agree in writing. Signing this waiver does not affect other obligations for disclosure.

Violation or Failure to Comply: A person who negligently violates or fails to perform a duty required by AS 34.70.010 - AS 34.70.200 is liable to the Buyer for actual damages suffered by the Buyer as a result of the violation or failure. If the person willfully violates or fails to perform a duty required by AS 34.70.010 -AS 34.70.200, the Seller is liable to the Buyer for up to three times the actual damages. In addition to the damages, a court may also award the Buyer costs and attorney fees to the extent allowed under the rules of court.

Seller's Information Regarding Property

Property Type (check one):

☐ Single Family ☐ Zero Lot Line/Town House ☐ Condominium ☐ Townhome/PUD
☐ Duplex (Including Single Family with an Apartment)
☐ Other (please specify) ______________________________

Do you currently occupy the property? ☐ Yes ☐ No If Yes, how long? ______________________

If not a current occupant, have you ever occupied the property? ☐ Yes ☐ No If so, when? ______________

Year Property Built: ____________. If property was built prior to 1978, or if Seller has any knowledge of lead-based paint, Seller must complete Disclosure of Information and Acknowledgment of Lead-based Paint and/or Lead-based Paint Hazards in accordance with Section 1018 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (also known as Title X) and provide Buyer with the "Protect Your Family From Lead in Your Home" pamphlet. The pamphlet can be found on the Internet at http://www.epa.gov/lead/leadprot.htm.

Construction Overview: ☐ Wood Frame ☐ Manufactured ☐ Modular ☐ Other: ______________
Foundation: ☐ Masonry Block ☐ Poured Concrete ☐ Piling ☐ Treated Wood ☐ Other: ____________
Name of original builder (if known): ______________________________

Property Features:

Check all items that are **built-in** and will remain with the property. **Also . . .**
Circle those checked items that have known defects or malfunctions. **Also . . .**
Describe the defect or malfunction on the Addendum/Amendment(s) To The Disclosure Statement.

☐ Cooktop	☐ Wood Stove(s) # of _____	☐ T.V. Antenna
☐ Oven(s) # of _________	☐ Jetted Tub	☐ Satellite Dish
☐ Rods & Blinds	☐ Hot Tub ☐ Cover	☐ Window Screens
☐ Microwave(s) # of ____	☐ Steam Shower Room	☐ Security System
☐ Dishwasher	☐ Water Softener	☐ Smoke Detector(s) # of ______
☐ Trash Compactor	☐ Water Filtering System	☐ CO Detectors # of ______
☐ Garbage Disposal	☐ Greenhouse ☐ Attached ☐ Detached	☐ Fire Alarms
☐ Instant Hot Water Dispenser	☐ Ventilating System	☐ Auto Garage Door Opener(s)
☐ Central Vacuum Installed	☐ Heating System	# of Opener(s)__________
☐ Intercom	☐ Storage Shed(s) # of _______	☐ Built-In Refrigerator
☐ Paddle Fan(s) # of ______	☐ Built-In Barbecue	☐ Other ______________

Comments:______________________________
____

Structural Components:

Check only those items that have known defects, malfunctions, or have had major repairs performed within the last five years. **Also . . .*Describe*** the defect, malfunction, or repair on the Addendum/Amendment(s) To The Disclosure Statement.

☐ Fences/Gates	☐ Rain Gutters	☐ Insulation	☐ Electrical Systems	☐ Electronic Air Cleaner
☐ Driveways	☐ Exterior Walls	☐ Woodstove(s) # of _____	☐ Sewage Systems	☐ Heat Recovery
☐ Private Walkways	☐ Interior Walls	☐ Fireplace(s) # of _____	☐ Water Supply	☐ Ventilator System
☐ Retaining Walls	☐ Floors	☐ Gas Starter	☐ Garage	☐ Swimming Pool
☐ Foundation	☐ Ceilings	☐ Chimneys	☐ Garage Floor Drain	☐ Mechanical
☐ Crawl Space	☐ Doors	☐ Plumbing Systems	☐ Carport	☐ Filtration
☐ Roof	☐ Windows	☐ Heating Systems	☐ Washer/Dryer Hook-ups	☐ Pool Cover
☐ Patio/Decking	☐ Skylights	☐ Solar Panels	☐ Humidifier	☐ Hot Water Heater
☐ Slabs	☐ Venting	☐ Wind Generators	☐ Air Conditioner	

Other items not covered above? ______________________________

Comments: ______________________________

Documentation: ***Check*** the documents for the subject property that the seller has available for review:

☐ Engineer/Property/Home Inspection Report(s)
☐ Title Information
☐ As-Built Survey
☐ Certificate of Occupancy or PUR-102
☐ Deed Restrictions
☐ Other ________________
☐ Written Agreements with Adjacent Property Owners
☐ Energy Rating Certificate or PUR-101
☐ Resale Certificate
☐ Water Rights Certificate
☐ Subdivision Covenants/Restrictions
☐ Party Wall Agreement
☐ Lease/Rental Agreement
☐ Soils Test
☐ Well Log and Water Tests
☐ Hazardous Materials Test(s)
☐ Other ________________

Additional Information:

Supply information for the following items: **Yes** **No**

To the best of your knowledge, has the property been inspected by an engineer/home inspector in the last 5 years?.......... ☐ ☐

➢ **Drainage:**

- Are you aware of ever having any water in the crawl space, basement, or lower level?.......... ☐ ☐
  If Yes, how has the problem been resolved?
  ☐ Sump Pump(s) ☐ Curtain Drain ☐ Rain Gutter/Extension ☐ Other ________________
  When was problem resolved? ________________
  Location of each sump pump: ________________
- To where does the water drain after it leaves the sump pump? ________________
  If gutters, where do downspouts discharge? ________________
- Is there a floor drain in the structure, including garage?.......... ☐ ☐
  If Yes, where is it located and where does it drain to? ________________

➢ **Roof or Other Leakage:**

Type: ☐ Asphalt/Composition Shingle ☐ Cedar Shake ☐ Built-up ☐ Metal ☐ Other __________
Age: ________________ years. Location of attic access? ________________

- Are you aware of any ice damming on the roof? .... ☐ ☐
  If Yes, provide location. ________________
- Are you aware of any water leaking into the home? i.e., windows, lights, fireplace, etc. .... ☐ ☐
  If Yes, provide location. ________________

➢ **Fireplace and/or Woodstove:** Date chimney(s) last cleaned? ______ Who cleaned? ______________

➢ **Heating System(s):**

Mark all types that apply: ☐ Hot Water Baseboard ☐ Forced Air ☐ Radiant Heat ☐ Electrical Heat ☐ Wood Stove ☐ Other ________________

Age: __________ years. Last Cleaned: ________________ Last Inspected: ________________

Source: ☐ Natural Gas ☐ Electric ☐ Propane Tank leased or owned? __________ ☐ Wood ☐ Coal ☐ Oil with ______ gallon storage which is ☐ Buried ☐ Above Ground ☐ Other ____________

Age of Tank? ___________ years.

➢ **Hot Water Heater:**

Age: _________ years. Capacity: ______ gallons. Type: ☐ Gas ☐ Electric ☐ Other ________

➢ **Water Supply:**

Type: ☐ Public ☐ Private ☐ Community ☐ Cistern/Water Tank If Cistern/Water Tank:_________Size ☐ Other ______________________

If Private: Well Depth: ________ feet. Flow Rate: _______ gallons per minute. Date Tested:________.

- Have you had any problems with your water supply?.......... ☐ ☐
- Has the water supply been tested in the past 12 months?.......... ☐ ☐
  If Yes, attach all documentation from all tests.
- Are you aware of any contaminants in your water supply, to include but not limited to E-coli, nitrates, heavy metals, arsenic or other contaminants? .... ☐ ☐
- Has the well failed while you have owned the property?.......... ☐ ☐
- Have you ever had a well pump problem or failure?.......... ☐ ☐
- Do you supply water to, or receive water from others?.......... ☐ ☐
  If Yes, is there a recorded agreement?.......... ☐ ☐
- Do you have a water rights certificate for this property?.......... ☐ ☐

Additional Information (Continued):

- **Sewer System:** **Yes** **No**

  Type: ☐ Public ☐ Private ☐ Community ☐ Other ______________________________

  - Does your sewer system have a lift station/lift pump? .... ☐ ☐

    If Private: ☐ Septic Tank ☐ Holding Tank ☐ Other: ______________________________

    Drainfield System: ☐ Bed ☐ Trench ☐ Mound ☐ Pit ☐ Crib ☐ Other ______________

    Innovative Sewer System: ☐ Intermittent Sand Filter ☐ Biocycle ☐ Recirculating Upflow Filter ☐ Secondary sewer treatment plant ☐ Other ______________

  - Has the sewer system failed while you owned the property? .... ☐ ☐

    If Yes, explain: ______________________________

    Age of sewer system: ________ Location: ______________________________

  - Have you had any work maintenance or inspections done on the sewer system during your ownership? ..... ☐ ☐

    If Yes, explain: ______________________________

    Approval/Certification source (and date if known): ______________________________

  - Are you aware of any abandoned sewer systems, leachfields, cribs, etc. on the property? .... ☐ ☐

- **Freeze-ups:**

  - Have you had any frozen water lines, sewer lines, drains, or heating systems? .... ☐ ☐

    If yes, please explain. ______________________________

  - Are there any heat tapes, heat lamps, or other freeze prevention devices? .... ☐ ☐

    Location, and explain use. ______________________________

- **Average Annual Utility Costs:**

Gas	$__________	Company/Source: ______________________________
Electric	$__________	Company/Source: ______________________________
Oil	$__________/Gallons: ________	Company/Source: ______________________________
Propane	$__________	Company/Source: ______________________________
Wood	$__________	Company/Source: ______________________________
Coal	$__________	Company/Source: ______________________________
Water	$__________	Company/Source: ______________________________
Sewer	$__________	Company/Source: ______________________________
Refuse	$__________	Company/Source: ______________________________
Other	$__________ ____________	Company/Source: ______________________________

To the best of your knowledge, are you aware of any of the following conditions with respect to the subject property? If answer is **"Yes,"** indicate the relevant item number and explain the condition on the Addendum/Amendment(s) to the Disclosure Statement.

- **Title:** **Yes** **No**

1. Do you know of any existing, pending, or potential legal action(s) concerning the property? .... ☐ ☐
2. Do you know of any street or utility improvements planned that will affect the property? .... ☐ ☐
3. Road maintenance provided by? ______________________________
4. Is the property currently rented or leased? .... ☐ ☐

   If Yes, expiration date: _________/______/______
5. Is there a homeowner's association (HOA) for the property? .... ☐ ☐

   If Yes, HOA name: ______________________________ HOA Telephone: ____________________

   ☐ Mandatory ☐ Voluntary ☐ Inactive Monthly Dues Amount: $__________ per ____________

   Are there any levied or pending assessments? .... ☐ ☐

   Who is responsible for issuing the resale certificate?

   Name: ______________________________ Telephone: ______________________________

- **Setbacks/Restrictions:**

6. Have you been notified of any proposed zoning changes for the property? .... ☐ ☐
7. Are you aware of features of the property shared in common with adjoining property owners, such as walls, fences, and driveways, whose use or responsibility for maintenance may affect the property? .... ☐ ☐
8. Are there subdivision conditions, covenants, or restrictions? .... ☐ ☐
9. Are you aware of any violations of building codes, zoning, setback requirements, subdivision covenants, borough, or city restrictions on this property? .... ☐ ☐
10. Are you aware of any nonconforming uses of this property? .... ☐ ☐

Additional Information (Continued):

		Yes	No
11.	Are you aware of any deed, or other private restrictions on the use of the property?	☐	☐
12.	Are you aware of any variances being applied for, or granted, on this property?	☐	☐
13.	Are you aware of any easements on the property?	☐	☐

- **Encroachments:**

14.	Does anything on your property encroach (extend) onto your neighbor's property?	☐	☐
15.	Does anything on your neighbor's property encroach onto your property?	☐	☐

- **Environmental Concerns:**

16.	Are you aware of any substances, materials, or products that may be an environmental hazard such as asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, contaminated soil, water or by-products from the production of methamphetamines on the subject property?	☐	☐
16a.	Are you aware of any mildew or mold issues affecting this property?	☐	☐
17.	Are you aware of any underground storage tanks on this property, other than previously referenced fuel or septic tanks? Number of tanks: _________	☐	☐
18.	Are you aware if the property is in an avalanche zone/mudslide area?	☐	☐
19.	Are you aware if the property has flooded?	☐	☐
	Flood zone designation:_______________		
20.	Are you aware of any erosion/erosion zone or accretion affecting this property?	☐	☐
21.	Are you aware of any damage to the property or any of the structures from flood, landslide, avalanche, high winds, fire, earthquake, or other natural causes?	☐	☐
22.	Have you ever filed an insurance claim for any environmental damage to the property?	☐	☐
23.	Are you aware of a waste disposal site or a gravel pit within a one-mile radius of the property?	☐	☐

- **Soil Stability:**

24.	Are you aware of any debris burial or filling on any portion of the property?	☐	☐
25.	Are you aware of any permafrost or other soil problems which have caused settling, slippage, sliding, or heaving that affect the improvements of the property?	☐	☐
26.	Are you aware of any drainage, or grading problems that affect this property?	☐	☐

- **Construction, Improvements/Remodel:**

27.	Have you remodeled, made any room additions, structural modifications, or improvements?	☐	☐
	If Yes, please describe. Was the work performed with necessary permits in compliance with building codes?	☐	☐
	Was a final inspection performed, if applicable?	☐	☐
28.	Has a fire ever occurred in the structure?	☐	☐

- **Pest Control or Wood Destroying Organisms:**

29.	Are you aware of any termites, ants, insects, squirrels, vermin, rodents, etc. in the structure?	☐	☐
	a. If Yes, what type? _______________		
	b. If Yes, where? _______________		
30.	Has there been damage in the past resulting from termites, ants, insects, squirrels, rodents, etc. in the structure?	☐	☐
	a. If Yes, when? _______________		
	b. If Yes, what type? _______________		
	c. If Yes, where? _______________		
	d. If Yes, describe what was done to resolve the problem: _______________		

- **Other:**

31.	Are you aware of any murder or suicide having occurred on the property within the preceding 3 years?	☐	☐
32.	Are you aware of any human burial sites on the property?	☐	☐

Additional Information (Continued): **Yes** **No**

33. **Noise**
    a. Are you aware of any noise sources that may affect the property, including airplanes, trains, dogs, traffic, race tracks, neighbors, etc? .... ☐ ☐
    b. If Yes, explain: ______________________________
    ____

34. **Pets**
    a. Have there been any pets/animals in the house? .... ☐ ☐
    b. If Yes, what kind? ______________________________

I / We have completed this disclosure statement according to AS 34.70.010 - AS 34.70.200 and these instructions, and the statements are made in good faith and are true and correct to the best of my/our knowledge as of the date signed. I/We authorize any licensees involved or participating in this transaction to provide a copy of this statement to any person or entity in connection with any actual or anticipated transfer of the property or interest in the property.

Seller: ______________________ Date: ______________________

Seller: ______________________ Date: ______________________

Buyer's Notice and Receipt of Copy

Transferee (Buyer) Awareness Notice: Under AS 34.70.050, Transferee (Buyer) is independently responsible for determining whether a person who has been convicted of a sex offense resides in the vicinity of the property that is the subject of the Transferee's (Buyer's) potential real estate transaction. This information is available at the following locations: Alaska State Trooper Posts, Municipal Police Departments, and on the State of Alaska, Department of Public Safety Internet site: www.dps.state.ak.us.

Transferee (Buyer) Awareness Notice: Under AS 34.70.050, Transferee (Buyer) is independently responsible for determining whether, in the vicinity of the property that is the subject of the transferee's potential real estate transaction, there is an agricultural facility or agricultural operation that might produce odor, fumes, dust, blowing snow, smoke, burning, vibrations, noise, insects, rodents, the operation of machinery including aircraft, and other inconveniences or discomforts as a result of lawful agricultural operations.

The Buyer is urged to inspect the property carefully and to have the property inspected by an expert. Buyer understands that there are aspects of the property of which the Seller may not have knowledge and that this disclosure statement does not encompass those aspects. Buyer also acknowledges that he/she has read and received a signed copy of this statement from the Seller or any licensee involved or participating in this transaction.

Buyer: ______________________ Date: ______________________

Buyer: ______________________ Date: ______________________

Explanation Addendum or Amendment To The Disclosure Statement

Use this page to:

1) ***clarify repairs, defects, or malfunctions***
2) ***to explain items in more detail***
3) ***to make changes or to update this disclosure form***

AS 34.70.020 provides that if a disclosure statement or material amendment is delivered to the Buyer after the Buyer has made a written offer, the Buyer may terminate the offer by delivering a written notice of termination to the Seller or the Seller's licensee within three days after the disclosure statement or amendment is delivered in person or within six days after the disclosure statement or amendment is delivered by deposit in the mail.

In compliance with AS 34.70.080, the Seller amends the disclosure statement for the real property described below:

List items changed or clarified. Use additional Addendum/Amendment pages, if necessary.

Page #	Item/Explanation

I/We (Seller(s)) certify that the information in this Addendum/Amendment To The Disclosure Statement is true and correct to the best of my/our knowledge as of the date signed.

Seller: ______________________________ Date: ____________________

Seller: ______________________________ Date: ____________________

I/We (Buyer(s)) have received a copy of this Addendum/Amendment To The Disclosure Statement.

Buyer: ______________________________ Date: ____________________

Buyer: ______________________________ Date: ____________________

Page ______ of _____

Form #4: State of Alaska Residential Real Property Transfer Disclosure Statement Waiver by Agreement

State of Alaska

Residential Real Property Transfer Disclosure Statement

Waiver By Agreement

AS 34.70.110

Prepared in compliance with Alaska Statute (AS) 34.70.010 - 34.70.200

Legal Description: ____

Property Address/City: ____

Under AS 34.70.110, completion of this disclosure statement may be waived when transferring an interest in residential real property if the Seller and Buyer agree in writing.

Parties may wish to obtain professional advice and/or inspection of the property.

It is recommended that the buyer read the complete State of Alaska Residential Real Property Transfer Disclosure Statement.

★ ★ ★ ★ ★ ★ ★ ★

Transferee (Buyer) Awareness Notice: Under AS 34.70.050, Transferee (Buyer) is independently responsible for determining whether a person who has been convicted of a sex offense resides in the vicinity of the property that is the subject of the Transferee's (Buyer's) potential real estate transaction. This information is available at the following locations: Alaska State Trooper Posts, Municipal Police Departments, and on the State of Alaska, Department of Public Safety Internet site: www.dps.state.ak.us.

★ ★ ★ ★ ★ ★ ★ ★

Transferee (Buyer) Awareness Notice: Under AS 34.70.050, Transferee (Buyer) is independently responsible for determining whether, in the vicinity of the property that is the subject of the transferee's potential real estate transaction, there is an agricultural facility or agricultural operation that might produce odor, fumes, dust, blowing snow, smoke, burning, vibrations, noise, insects, rodents, the operation of machinery including aircraft, and other inconveniences or discomforts as a result of lawful agricultural operations.

★ ★ ★ ★ ★ ★ ★ ★

By law, completion of this disclosure statement may be waived when transferring an interest in residential real property if the Transferor (Seller) and the Transferee (Buyer) agree in writing. If both parties agree to waive the requirement to complete this disclosure statement, please sign below.

Signing this waiver does not affect other obligations for disclosure.

Seller: ______________________________ Date: ____________________

Seller: ______________________________ Date: ____________________

Buyer: ______________________________ Date: ____________________

Buyer: ______________________________ Date: ____________________

__________ ____/____/____ ______________________________ __________ ____/____/____
Seller's Initials Date Property Address Buyer's Initials Date

08-4229c (Rev. 7/08)

State of Alaska

Residential Real Property Transfer Disclosure Statement

Exemption For First Sale

Prepared in compliance with Alaska Statute (AS) 34.70.010 - 34.70.200

Legal Description: ____

Property Address/City: ____

Under AS 34.70.120, the first transfer of an interest in residential real property that has never been occupied is exempt from the requirement for the Seller to complete the Disclosure Statement.

Buyer may wish to obtain inspections of the property and seek other professional advice.

★ ★ ★ ★ ★ ★ ★ ★

Transferee (Buyer) Awareness Notice: Under AS 34.70.050, Transferee (Buyer) is independently responsible for determining whether a person who has been convicted of a sex offense resides in the vicinity of the property that is the subject of the Transferee's (Buyer's) potential real estate transaction. This information is available at the following locations: Alaska State Trooper Posts, Municipal Police Departments, and on the State of Alaska, Department of Public Safety Internet site: www.dps.state.ak.us.

★ ★ ★ ★ ★ ★ ★ ★

Transferee (Buyer) Awareness Notice: Under AS 34.70.050, Transferee (Buyer) is independently responsible for determining whether, in the vicinity of the property that is the subject of the transferee's potential real estate transaction, there is an agricultural facility or agricultural operation that might produce odor, fumes, dust, blowing snow, smoke, burning, vibrations, noise, insects, rodents, the operation of machinery including aircraft, and other inconveniences or discomforts as a result of lawful agricultural operations.

★ ★ ★ ★ ★ ★ ★ ★

I certify that this is the first transfer of an interest in the property identified above and that the property has not been occupied before this transfer of interest.

Seller: ______________________________ Date: ____________________

Seller: ______________________________ Date: ____________________

Buyer: ______________________________ Date: ____________________

Buyer: ______________________________ Date: ____________________

Energy Rating Numbers

1 ★	0 - 39 Points
1 ★+	40 - 49 Points
2 ★	50 - 59 Points
2 ★+	60 - 67 Points
3 ★	68 - 72 Points
3 ★+	73 - 77 Points
4 ★	78 - 82 Points
4 ★+	83 - 88 Points
5 ★	89 - 91 Points
5 ★+	92 - 94 Points
6 ★	95 - 100 Points

Form #7: Home Energy Rating Certificate

Home Energy Rating Certificate

Alaska Housing FINANCE CORPORATION

The Home Located At:

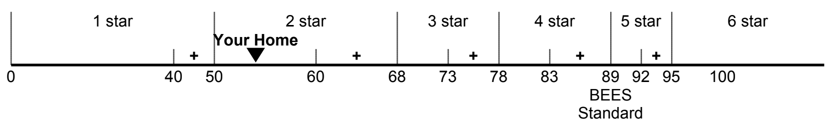
Energy Efficiency
110 Full Throttle
Anchorage, Alaska

Has Been Energy-Rated As:

Two Star

Overall Efficiency of Home

54.3 points



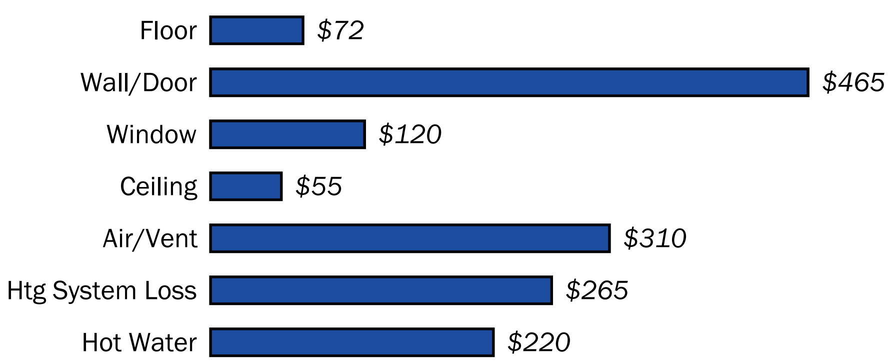
Amount of CO_2 Produced by the Home

25,920 pounds per year

Projected Annual Energy Costs

$2,821 per year

Breakdown of Heating Costs, $ Per Year



Client: Happy Homeowner Rater: Rater A, Raters R Us Date: 1/1/2015
Rater's City: Anchorage, AK 99504 Contact: 907 330-8197, NotSoCold@winter.us, FAX 907 330-8197
ver. 2.3.3.0, library: 12/1/2014, file: Happy Homeowner 2.hm2, Rating Type: BEES

I certify that this Rating is true and correct, to the best of my knowledge and belief: ______________________

Rater Signature

Form #8: Energy Cost and Features Report

Energy Cost and Features Report

Property:	Happy Homeowner 1234 Snow Filled Circle Anchorage, Alaska	**Rater:**	Rater A Raters R Us 4400 Boniface Parkway Anchorage, AK 99504
House:	Single Family Living Floor Area: 2,581 square feet Attached Garage, 1,387 square feet	**Rating:**	BEES ID: Northern Quality 3809 Charlie

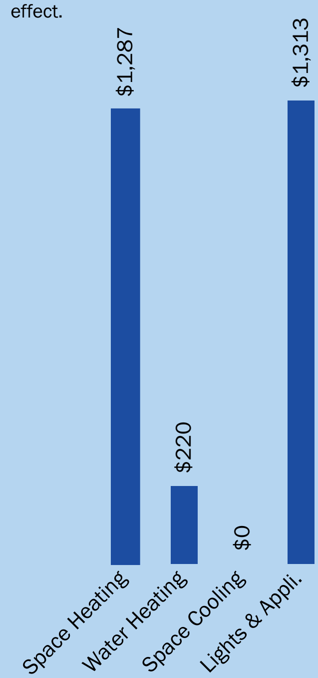
Envelope Efficiency	
Floor Insulation	R-26.8 *
Wall/Door Insulation	R-17.8 *
Ceiling Insulation	R-55.0
Window U-Value	U-0.30
Window SHGC	0.25
Window to Wall Ratio, Living Space	10.7%
South Facing Window Area	153 square feet
Air Leakage	2.7 Air Changes per Hour at 50 Pascals 0.17 Air Changes per Hour Natural

* Includes the insulating value of the ground in contact with these envelope components.

Space Heating System	
Fuel	Natural Gas
System Type	Furnace
Model	
Efficiency	97%
Btu/hr Output	60,000 Btu/hr
Primary Heating System Design Load	43,625 Btu/hr
Garage Heating System Design Load	7,783 Btu/hr
Supplemental Fuel	None
Thermostat Setting	70.0 degrees F
Setback Thermostat	Yes, Controls Entire Home
Water Heater	
Efficiency	95%
Location	Conditioned Space
Fuel Type	Natural Gas
Space Cooling System	None Present
Ventilation	
System Type	Heat Recovery Ventilator
Required Ventilation	66 CFM
Measured Ventilation	90 CFM
Other	
Number of Bedrooms	3
Clothes Dryer Fuel	None
Cooking Range Fuel	Electricity
Miscellaneous Lights/Appliance Use	Average
CAZ Test Normal Conditions	Pass

Estimated Annual Energy Costs

Actual use and costs may vary from these estimates depending upon weather conditions, occupant life styles and utility rates currently in effect.



Electricity: $0.1623/kWh, Natural Gas: $0.96/ccf
Space Heating: 1,440 kWh of Electricity, 1,101 ccf of Natural Gas
Water Heating: 230 ccf of Natural Gas
Space Cooling:
Lights & Appliances: 8,092 kWh of Electricity

Additional Information:

VENTILATION WARNING: The measured air tightness of this home indicates that it may not provide sufficient ventilation air (for acceptable indoor quality) as defined by ASHRAE 62.2 2010, without adequate mechanical ventilation equipment. If whole house mechanical ventilation equipment has been installed, it is recommended that it be properly maintained and operated. If no whole house mechanical ventilation equipment has been installed, it is strongly recommended that the homeowner consider an investment in this improvement. (A test of the building's ventilation air rate would help determine the importance of a mechanical ventilation system in this home.)

ver. 2.3.3.0, library: 12/1/2014, file: Happy Homeowner 2.hm2

Energy Efficiency Improvement Options

Property: Energy Efficiency
110 Full Throttle
Anchorage, AK 99517

Initial Rating: Two Star, 54.3 points

Additional rating points needed to reach higher rating levels:

5.7 more points needed to reach **2+ Stars**
13.7 more points needed to reach **3 Stars**
18.7 more points needed to reach **3+ Stars**
23.7 more points needed to reach **4 Stars**
28.7 more points needed to reach **4+ Stars**
33.7 more points needed to reach **5 Stars**
37.7 more points needed to reach **5+ Stars**
40.7 more points needed to reach **6 Stars**

House: Multi-Family, One Unit
Living floor Area: 1,500 square feet
2-Car Attached Garage

Rater: AHFC Rater
AHFC
Boniface
Anchorage

ID: Read a Rating

Fuel prices used in this analysis: Electricity = $0.1242/kWh, Natural Gas = $0.75/ccf

The following are possible energy-saving improvements for your home.

Notes: The rating points you receive for each improvement depend upon the other measures you install. In the report below, the points indicated for each measure assume that you install all prior measures on the list. The break-even cost is the most you could pay for the improvement and still have it be cost-effective based on energy savings over the life of the measure.

Improvement Description/Location	Annual Savings[1]	Break-Even Cost[2]	Rating Points Gained[3]	Rating, After All Improvements Through This One[4]	Design Heat Loss, Btu/hr[5]
Fill empty 2x12 cavity with R-38 blown-in dense-pack insulation. Location - Exposed: garage floor	$189	$4,136	4.6	58.9 points 2 Stars Increase: 4.6 pts, 0 steps	52,572
Add R-19 fiberglass batts to masonry wall. Cost does not include studs or firring strips Location - Below- (part or all) grade wall: crawl space	$117	$2,564	2.8	61.7 points 2+ Stars Increase: 7.4 pts, 1 step	49,760
Install Lexan magnetic storm window on interior Location - Window/skylight: 2nd floor skylights	$29	$456	0.7	62.4 points 2+ Stars Increase: 8.1 pts, 1 step	49,053
Caulk and seal so that home air leakage is reduced by 1500 CFM at 50 pascals	$442	$3,787	10.2	72.6 points 3 Stars Increase: 18.3 pts, 2 steps	38,391
Add R-5 insulating blanket to garage door Location - Garage door: garage overhead door	$35	$441	0.8	73.4 points 3+ Stars Increase: 19.1 pts, 3 steps	37,536
Add R-21 blown cellulose insulation to attic with standard truss Location - Ceiling w/attic: garage attic	$32	$698	0.8	74.2 points 3+ Stars Increase: 19.9 pts, 3 steps	36,795
Install R-14 rigid board insulation Location - Exposed floor: house floor	$73	$1,596	1.8	76.0 points 3+ Stars Increase: 21.7 pts, 3 steps	35,092
Add R-21 blown cellulose insulation to attic with standard truss Location - Ceiling w/attic: house attic	$55	$1,207	1.3	77.3 points 3+ Stars Increase: 23.0 pts, 3 steps	33,795
Remove existing door and install U-0.16 fiberglass door with polyurethane core Location - Exterior door: 2nd floor main entry	$24	$385	0.6	77.9 points 3+ Stars Increase: 23.6 pts, 3 steps	33,193
Replace gas/propane water heater with tankless, on-demand type gas/propane water heater (e.g. Aquastar)	$38	$608	0.7	78.6 points 4 Stars Increase: 24.3 pts, 4 steps	33,193
Remove existing door and install standard pre-hung U-0.16 insulated door, including hardware Location - Exterior: 1st floor door	$10	$227	0.3	78.9 points 4 Stars Increase: 24.6 pts, 4 steps	32,938
Replace heating system with a furnace having an AFUE of 92%. Location - Primary heating system	$107	$1,712	2.8	81.7 points 4 Stars Increase: 27.4 pts, 4 steps	32,938

Improvement Description/Location	Annual Savings[1]	Break-Even Cost[2]	Rating Points Gained[3]	Rating, After All Improvements Through This one[4]	Design Heat Loss, Btu/hr[5]
Replace existing window with U-0.30 vinyl window Location - Window/skylight: house glass	$28	$454	0.7	82.4 points 4 Stars Increase: 28.1 pts, 4 steps	32,223
Install a mechanical ventilation system without heat recovery	$2	$20	0.0	82.4 points 4 Stars Increase: 28.1 pts, 4 steps	32,223
Total, All Measures	**$1,181**	**$18,291**	**28.1**		

Annual CO_2 reduction after all improvements:

18,498 pounds per year

Form #10: Building Energy Efficiency Standard (BEES) Certification

Building Energy Efficiency Standard (BEES) Certification

Alaska Housing FINANCE CORPORATION

Owner of Record, as listed on the Title: ____________________

Building is located at: ____________________
(Street, City, State, Zip)

Legal Description is: ____________________
____
____

Building is: ◯ New Construction ◯ Existing Construction

Date Construction Began: ____________ (Defined as installation of the foundation)
mm/dd/yyyy

Certifying BEES: ________ (YYYY) Star Rating: ____________

BEES Compliance Method

◯ Prescriptive Method (structure meets all sections identified as 'mandatory' and 'prescriptive')

◯ Performance (structure meets all sections identifi ed as 'mandatory' and the performance approach in section R405)

Energy Rater: ____________ Rating Date: ____________ File: ____________
AkWarm Ver: ____________ Library: ____________

I certify that the structure located on the above described property complies with all the requirements of the indicated Building Energy Efficiency Standard (BEES) as adopted by 15 AAC 155.010. I am approved to certify, having met all current BEES training & testing requirements.

My BEES Compliance Certification # ____________ Expiration Date: ____________

Name: ____________ Signature: ____________ Date: ____________

Return to: ____________
____

Form PUR-101
1/1/2015

Notes:

Notes:

Notes:

Notes:

Alaska Housing
FINANCE CORPORATION

Headquarters | 4300 Boniface Parkway | Anchorage, AK 99504 | 907-338-6100 | 800-478-2432
Mailing Address | P.O. Box 101020 | Anchorage, AK 99510-1020 | www.ahfc.us