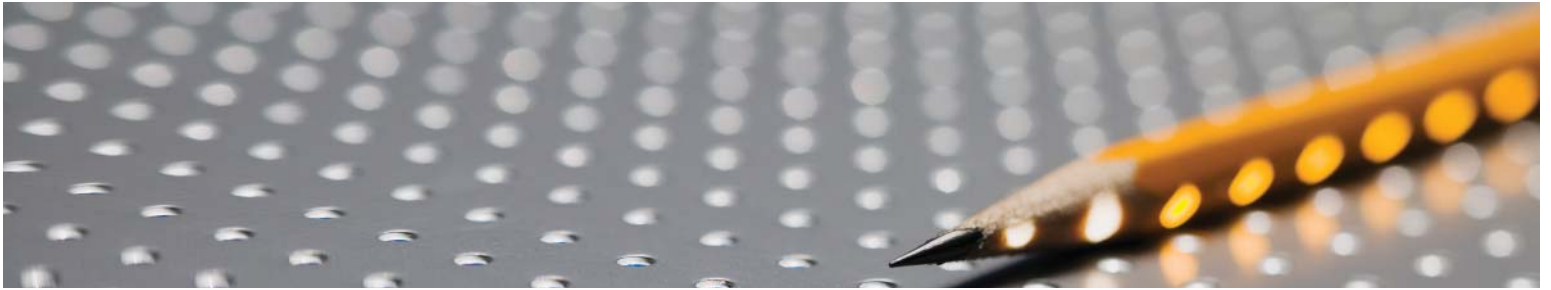


homebuyer education



instructor curriculum

june 2011



*financing the places where
people live and work*

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instructor resources

instructor class resources

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homebuyer education

section 1 introduction

introduction are you ready to buy a home?

I. Why is homebuyer education important?

Owning a home takes a lot of time, money, and energy, so not only is it important to be educated about the process, but also about homeownership. A buyer needs to weigh carefully the pros and cons of ownership and take a realistic look at the process. Homebuyer education classes help the consumer have a realistic view of owning a home.

A. Informed consumer

1. Knowledge is power.

Learn the process so you are in the driver's seat on this journey through the homebuying process.

2. Read documents, ask questions, and get answers before signing anything.

As you start the process, there will be many documents, forms, and papers, and sometimes you may not understand all that is being presented to you. Please read **all** documents and do not sign anything until you understand it completely. This homebuyer education class will help you understand the steps and will also look at some sample documents that you will encounter through the process.

3. Never sign blank or incomplete documents.

Throughout the process, there will be forms that you will need to sign, and other final forms at closing. Never leave a document blank. Some might suggest that you leave it blank, and that you can come back to it later; if it is not complete or you do not understand it, do not sign. All documents need to be reviewed, addressed, and signed at the time of processing.

B. Source of information for current and future decisions relating to homeownership

A buyer should always attend a homebuyer education class, whether the loan program requires it or not. These classes are free and will teach you about the home purchase in order to help you make informed decisions throughout the process. Individual counseling from a local nonprofit housing counseling agency can provide you with an in-depth analysis of your financial situation. The housing counselor can give you recommendations on how to address any specific obstacles to homeownership. Contact your homebuyer education provider to follow up on questions that arise.

C. Access to special programs

There are programs in our community that can help buyers with down payment, low interest rate loans, and closing costs. Grants may also be available.

1. A wide variety of programs are available in the state to help first time homebuyers. Each program has its own guidelines and requirements.
2. There might be some VA incentive programs available to qualified veterans. Since these programs change from time to time you might want to check with your lender or the VA Administration for information about available programs.
3. Check websites or directly contact a local housing nonprofit or county agency for information.

II. What does it mean to be a first time homebuyer?

A. IRS defines a first time homebuyer as someone who has not had an ownership interest in a main home for the past three years (see IRS Form 5405).

1. There are down payment assistance programs that allow for a displaced homemaker situation. Per FHA, the term "displaced homemaker" means an individual who:
 - (a) is an adult;
 - (b) has not worked full time, full year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and
 - (c) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment. Check with the down payment assistance program you will be using to see if this applies to you.

III. Is homeownership for me?

So many people want to own a home; however, homeownership is not for everyone. Prior to deciding to purchase, make a list of the pros and cons of homeownership and/or renting.

A. Pros of homeownership

1. Tax benefits if you itemize deductions
2. Equity
3. Forced savings
4. Stability, especially if you have children in school

B. Cons of homeownership

1. Loss of mobility; owning a home makes it harder to move
2. Increased cost
 - a. Maintenance
 - b. Mortgage payments generally higher
 - c. Utilities can be higher

3. Investment risk
 - a. Appreciation vs. depreciation

Appreciation is the increase in the value of a property due to changes in the market, home improvement, or other factors. Depreciation is a decrease in value of a property due to wear and tear, lack of maintenance, market conditions, and other factors.

C. Pros of renting

1. Cost of renting might be lower, especially if utilities are included in the rent
2. Repairs are the responsibility of the landlord when renting
3. You have more flexibility to move when your lease ends

D. Cons of renting

1. No tax advantages
2. Repairs will be made when the landlord has time
3. Your rent payment goes to someone else's asset building
4. May not have much privacy
5. Landlord may sell the property – possible eviction
6. Rent may increase

IV. What is the true cost of homeownership?

A. PITI & PMI

As a homeowner, you will have to make your mortgage payments, which include more than just the principal and interest on the loan. A payment is the sum of the principal, interest, taxes, and insurance (PITI) broken down into monthly amounts. If you finance or take a mortgage for more than 80 percent of what the property is worth, you will also have to pay for mortgage insurance (PMI/MIP).

B. Taxes/Insurance changes

Also, you should always anticipate that your payment will change, even if you have a long term (15+ yrs.) fixed rate mortgage. Principal and interest payments will remain the same for the life of the loan on a fixed rate loan, but taxes and insurance are re-evaluated or re-assessed once a year. Depending on the circumstances, these may go down, but it is best to expect an increase in payments, resulting in an increase in your mortgage payment.

C. Increases in housing expenses

Increases in housing expenses are inevitable so you should evaluate whether you are ready or not for homeownership. If you are experiencing trouble paying your current bills, you might want to reconsider if homeownership is right for you at this time.

V. Homebuying process/Approximate timeline

Before you begin searching for a home, you should calculate how much you can afford to spend on a monthly mortgage. Keep in mind, the “mortgage payment” is not the only thing that you need to budget for. You also need to plan for the unexpected, as well as routine maintenance and repairs. It is important to determine a monthly payment that is affordable before meeting with a lender. The mortgage lender will qualify you for the maximum amount according to the loan program and guidelines, and it is possible for you to qualify for a loan that has a monthly payment higher than what you feel comfortable paying. This class, along with the help of a housing counselor, can help you calculate affordability and develop a spending plan.

A. Financial preparation

1. Create a spending plan
2. Review savings account
 - a. What are my up-front funds available to pursue homeownership?
 - b. How much do I have for a down payment?
3. Review credit report and score

B. Contact loan officers

1. Loan application

You will fill out a loan application and the lender will collect your documentation. Typically, you will be asked for information related to income, debts, employment, etc.

2. Discussion of loan programs
3. Loan amount you potentially could qualify for

Before you begin searching for a home, you should calculate how much you can afford to spend on a monthly mortgage. Keep in mind, the “mortgage payment” is not the only thing that you need to budget for. You also need to plan for the unexpected, as well as routine maintenance and repairs. It is important to determine a monthly payment that is affordable before meeting with a lender. The mortgage lender will qualify you for the maximum amount according to the loan program and guidelines, and it is possible for you to qualify for a loan that has a monthly payment higher than what you feel comfortable paying. This class, along with the help of a housing counselor, can help you calculate affordability and develop a spending plan.

C. Discuss your wants versus needs with a real estate broker

Determine housing needs and wants according to what is affordable before house hunting. This will help you avoid the disappointment of looking at houses you cannot afford. It is very important that your real estate broker listens to your wants and needs and shows you exactly what you require within your means. When selecting the type of house and features, you should consider affordability, family size, lifestyle, and other special circumstances.

D. Begin house shopping!

While shopping for a home, compare and examine many homes on the market. You should take your time, take notes, ask questions, visit the neighborhood at different hours of the day, and then begin to narrow your search.

E. Make an offer

1. Consider what works for you before signing a purchase contract.
2. Review dates with your real estate broker to ensure they meet your timeline for moving and any lease situations.
3. Earnest money

When you find the home in your price range and decide what you are willing to pay, you will make an offer and the real estate broker will present the offer to the seller's agent. You will also be required to include an earnest money deposit to show your intention to complete the sale.

4. Negotiations

In many cases, an offer to purchase is met with a counter offer from the seller to change some of the terms in the offer. You and the seller will continue to negotiate through your agents, until both parties agree to all terms. A real estate contract should allow you to cancel the deal and have earnest money returned if certain conditions are not met, such as a satisfactory home inspection.

F. Lock in your interest rate

Once you have a fully executed and accepted real estate contract, contact your loan officer to discuss locking your interest rate. Once your rate is locked, request your copy of the Colorado Lock-in Disclosure Form (two pages).

After you have signed the purchase contract and locked the loan, your lender must provide you with a Good Faith Estimate (GFE) and an Initial Truth-in-Lending (TIL) disclosure.

G. Title review and HOA review

When the offer is accepted, you will receive a copy of the title commitment and, if buying a condominium, a copy of the homeowners association (HOA) documents. Taking title to a home is like buying a car — it puts the property in your name. Title insurance ensures the purchase is from the current legal owner as well as other important insurance coverages related to clear ownership. Your real estate broker will help you review your title commitment and will help you obtain additional HOA information (board minutes, financials, etc). Together with your real estate broker or an attorney, you should review all for potential issues.

H. Inspection

Soon after the offer is accepted, it is wise to hire a professional home inspector to inspect the property for any defects. If you made the purchase contract contingent on a satisfactory inspection, you have options to address any problems. If the inspection shows major problems, you can cancel the contract and have earnest money returned or counter the seller to make the repairs or reduce the price of the home.

I. Appraisal

The appraisal is ordered after you have a fully signed and accepted contract and inspection issues have been settled. The lending institution orders the appraisal to verify that the current market supports the agreed-upon purchase price. This assures the lender that if you default on the loan, the property supports the value of the amount borrowed against it. Many lenders collect this fee up front so if the buyer backs out, the appraiser is still paid for the service provided.

J. Loan commitment

Loan commitment is given once the borrower and the property meet all of the lender's requirements for the loan.

1. Escrow is the holding of documents and money by a neutral third party prior to closing. It is also an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance. Each mortgage payment thereafter should include an amount to be added to the escrow account to ensure that funds are available when taxes and insurance come due.
2. While the loan is in process, there will be a title search to confirm current ownership and check for any issues that would prevent conveyance of title. A title insurance policy will be issued to protect the lender (lender's policy) and the buyer (owner's policy) against any loss arising from disputes over ownership of property or title defects. During this process, you will shop for and purchase homeowners insurance to protect against losses that result from damage to the home or liability.

K. Prepare for closing

The final step in the home purchase process is the signing of the real estate and loan documents, which is referred to as "closing". This is usually held at a title company and the house keys are typically given to the new owner.

VI. Key players and their roles in the homebuying process

A. Counseling agencies

Providers of homebuyer education and one-on-one housing counseling

B. Lenders

Work with you to find the best loan program to fit your needs

C. Real estate brokers

Help you find the home and advocate for your best interests in dealing with the overall transaction
(provided you've signed a buyer's agency agreement with that real estate broker)

D. Home inspectors

Identify potential mechanical or structural problems with the property

E. Appraisers

Provide the lender a professional opinion of the property's current market value

F. Insurance agents

Provide estimates on premiums to insure the property

G. Title companies

Provide the title insurance for the property and present and conduct the closing of the loan and real estate documents

VII. Spending plan

A. Why is a household spending plan important?

To buy a home you will need money for the earnest money deposit, up-front loan fees, down payment, closing costs, and moving expenses. A spending plan is important not only because it will help you buy a home, but also will help you meet the ongoing costs of homeownership, along with all your other expenses. A spending plan can help you and your family prepare for larger financial obligations, such as a car, a home, or any other expensive items. A spending plan will encourage savings, prepare you for unexpected expenses, identify wasteful spending, and help in accomplishing your goals.

A spending plan also aids in maintaining good credit by ensuring bills are paid on time. Keeping a record of your expenses will allow you to always have sufficient funds to meet your financial obligations and make your payments on time. Over time, this behavior will bring financial stability to you and your family and maintain a healthy credit history.

B. Items to account for when creating a household spending plan (template; pre- and post-homeownership)

1. Gross vs. net income

Gross income is the money you earn before taxes and other deductions. Net income is the money you take home (money earned after taxes and other payroll deductions have been withdrawn).

2. Wants vs. needs

In order to make rational decisions about how to spend your money, it is important to think about the differences between “wants” and “needs”. Needs are items that we must have for basic survival, items such as food, clothing, water, and shelter. Wants are things we desire but we could live without. When you think of a purchase you might want to ask yourself, is this a “want” or a “need”? You will be amazed at the savings you can achieve by approaching your purchases in this manner.

3. Fixed vs. variable expenses

Fixed expenses are usually those living expenses that remain the same each month, such as rent, utilities, car payments, insurance payments, child support, etc. Evaluate your fixed expenses to see if there are any you could reduce or eliminate. Do you really need all your magazine subscriptions? Can you carpool? Variable expenses, also known as flexible expenses, are those that change from month to month; items such as groceries, entertainment, and personal items. We tend to spend all the extra money we have after paying for the fixed expenses on variable expenses. Look into the variable expenses categories and find where you might be able to reduce or eliminate spending. Remember, eliminating or reducing spending will allow you to save more money and achieve financial stability.

4. Reviewing the cost of homeownership and maintenance

If you are a renter, the primary housing cost is the amount of your monthly rent and utilities, if these are not included in your rent. If you are a homeowner, your housing costs will include your mortgage payment (PITI), utilities, and maintenance. The monthly cost of utilities, which include oil, gas, electricity, and water, may be higher when you own your home rather than rent. First time homebuyers often are surprised by how costly basic upkeep is, in terms of both time and money. Repairs often represent an unexpected expense, so it is very important that homeowners always have an available cash reserve on hand.

C. Tracking and adhering to a spending plan

1. How to adhere to a spending plan

Whether you are single or part of a family, you need to commit to a spending plan in order to manage your money wisely and reach your goals. The first step is to identify how you are spending money every month. Once you know how much you have every month and how you spend it, you can start planning your spending plan. Talk about the difference between wants versus needs. Discuss ideas on how the people involved can work together to plan, budget, and cut costs. Set a time each week for yourself and/or your family to talk about the spending plan. Keep records of these discussions and the decisions you make. Discuss family and individual goals. Have the family members agree on a goal/s and describe it in detail—how much it costs, and the small steps the family should take to accomplish this goal/s. Do the same with individual goal/s. Write down all family members' goals and rank them in order of importance. Try to agree upon the top few goals you all intend to work on together. Setting goals often means we have to choose to give up things we want to get something we want more. Saving with a purpose in mind helps build a habit of saving.

2. Track spending and compare to actual spending plan

Are there adjustments to be made? The spending plan will have a column for each amount you plan to spend and the amount you actually spend each month. This is so you can review the plan at your weekly meeting with your family or by yourself and see how you are doing. After three or four months of having meetings and documenting spending, you should ask yourself and your family if the plan is working. Are you able to follow this spending plan? Which costs seems always to be over the planned amount? Are you getting closer to reaching your goals? Keep in mind that if the spending plan is not working, you can always change it.

VIII. Savings

A. Review savings

1. Up-front funds required to pursue homeownership

You will need some savings to pursue homeownership; you will need funds for down payment and closing costs. FHA loans require a down payment of 3.5 percent, VA loans require zero percent down payment and conventional loans require 5 percent or more of the purchase price of the property.

2. How much you have available for a down payment

There are not-for-profit and government agencies that provide assistance for down payment in the form of loans. Grants and gift funds are harder to come by in the current market. Most of these programs have their own requirements, i.e., in order to qualify, a borrower must make a minimum contribution, complete homebuyer education, and meet certain income and purchase price limits.

B. Incorporate savings into your spending plan

1. Plan to pay yourself first. Make the savings deposit the first bill you pay each month.
2. Compare and shop. Don't buy more than what you need.
3. Avoid impulsive purchases by asking yourself if you really need this particular item, then save what you did not spend.
4. Use layaway options, especially for larger items.
5. Have a "buy nothing" week and save the money you would have spent.
6. Visit the website www.coloradosaves.org for great savings ideas.

Exercise: Brainstorm ideas with the audience for methods that work and do not work for people.

C. Setting goals - Long term vs. short term

At the first spending plan meeting, you should talk about what your goals are as a person or family. Ask about individual goals and family goals of each family member. Everyone should discuss in detail what their goals are, how much money is needed, and what small steps are needed to reach those goals. Once you have family and individual goals discussed, write them down and rank them in order of importance. Try to agree on the top few goals you all intend to work on together. Goals that can be achieved within one year are generally considered short term goals. Goals that will take five years or more, such as saving for the down payment on a home, are considered long term goals.

IX. Credit

A. Credit report (Provide a sample.)

1. Why information on a credit report is critical to the homebuying process

The credit report has information on how we borrow money, use credit, and pay it back. Using our credit wisely is an important part of the homebuying process and it shows the financial institution our ability to borrow money responsibly. A healthy credit report shows your ability to borrow money and pay it back. This is a very important factor in the homebuying process.

2. Personal information on your credit report

A credit report will show your name, Social Security number, address, and employer/s. This section will also show previous addresses as well as other recent employers.

3. Explanation about credit reporting agencies

- a. There are three repository agencies (aka credit bureaus). As mentioned earlier, your credit is a summary of the history of how you borrow money and pay it back. Credit bureaus are companies that collect information and sell it in the form of a credit report to financial institutions who want to know how an individual manages his/her finances.

There are three large national companies that provide most credit reports: Experian, TransUnion, and Equifax.

Experian 1.888.EXPERIAN (397.3742)
 www.experian.com

TransUnion LLC 1.800.916.8800
 www.transunion.com

Equifax 1.800.685.1111
 www.equifax.com

- b. Types of credit reports

- i. Consumer credit report

A single bureau credit report that lists all the information available in a report. This is for consumer use only and when a consumer requests this type of credit report, it does not affect the credit score.

- ii. Infile credit report

A document generated from one, two, or three credit repository agencies. Credit information from different repository agencies will be merged into one credit report. A creditor needs an individual's authorization to have access to this credit report and it will be used to make a decision on whether to lend money to the individual. This type of credit report will affect a consumer's credit score.

- iii. Residential mortgage credit report (RMCR)

A credit report containing information from all three credit reporting agencies. It is used by the mortgage company to determine a consumer's creditworthiness when applying for a mortgage loan. This credit report requires the consumer's authorization and there is a fee to the consumer when an RMCR is requested. This type of credit will affect a consumer's credit score.

- c. How to obtain a credit report

Colorado residents are eligible for one free credit report from each credit agency per year. Free credit reports will not show a score and these are primarily recommended to be used for credit repair or to spot identity theft. Since there are three separate credit agencies, consumers are encouraged to request their credit report from each agency every year.

Request a free credit report by calling 1.877.322.8228 or visiting www.annualcreditreport.com. The Fair Trade Commission (FTC) recommends not contacting the credit agencies individually. For more information on consumer protection, visit www.ftc.gov.

4. Resolving errors or inaccuracies

It is important to make sure that the credit report is accurate as it is common to find inaccurate information in it. It is also important to correct these inaccuracies since they could hurt your chances of getting a mortgage loan. Consumers have the right to request these inaccuracies be corrected at no charge.

- a. In order to resolve any errors, you will have to contact the credit reporting agency that shows inaccurate information in the report. You can file a complaint online, by mail, or by phone.
- b. Follow the instructions on filing a complaint provided by the credit reporting agency. You will have to file complaints with each agency individually for all items that show errors. Do not contact the creditor (credit card company, retail store, car dealer, etc.) at this time.
- c. The credit agency must investigate the complaint within 30 days and get back to you with the finding. In response to the complaint, the credit reporting agency will check with the creditor whose information is being questioned. If the credit agency finds that the information in the credit report is incorrect, the credit report will be corrected and you will receive a letter of explanation of the actions taken based on the complaint and the credit agency's findings.
- d. You can contact the creditor directly if the credit reporting agency disputes the error and you still believe the credit report is inaccurate. Once the dispute is resolved, request that the creditor send a correction to the credit reporting agency.

5. Debt

A credit report is a record of how you have paid debt, such as credit cards and other loans, in the past. A credit report shows how much debt you have and whether payments have been made on time. If a debt is not being paid, this information will be reported on a credit report as well. Specific details on credit card accounts, car loans, and other loans show on a credit report. Information includes the date an account was opened, the credit limit or loan amount, the balance, and the monthly payment amount. The report will also show a payment history and the names of anyone else responsible for paying the account, such as a co-signer or coborrower. Information such as late or missed payments, collections, judgments, and repossessions or foreclosures appears here as well. This information comes from the creditors you interact with.

a. Revolving vs. installment debt

A revolving account allows you to pay the debt in full or make minimum payments each month based on the amount of the outstanding balance. Revolving accounts are credit cards typically issued by banks, department stores, etc. An installment account is a contract you sign to repay a fixed amount of credit in equal payments over a specific time. Installment accounts are typically used to finance big ticket items such as cars, furniture, major appliances, and student and mortgage loans.

b. How does debt affect the buying process?

When applying for a loan, the lender will determine the amount to finance a home based on two ratios: housing ratio and debt-to-income ratio. The housing ratio is the maximum percentage of a consumer's income that can be used to make the monthly mortgage payment. The maximum monthly payment, as determined by the housing ratio, includes principal, interest, taxes, and insurance. Depending on the type of loan, the housing ratio could be 25, 28, 29, or 33 percent. The debt-to-income ratio is the maximum amount of monthly debt a consumer can spend on a house payment (PITI) plus all other debt. Depending on the type of loan, this ratio ranges from 36 to 45 percent. The higher the monthly debt a consumer has, the lower the amount he/she can spend on a mortgage payment to buy a home.

c. Debt reduction/incorporating debt reduction into the spending plan

Many consumers pay the minimum due each month and this ends up costing a consumer additional interest charges. For example if you owe \$3,000 on a credit card at a 19.80 percent annual percentage rate (APR) and make the minimum required 2 percent payment a month, it will take you 39 years to pay off this debt and you will have paid more than \$10,000 in interest charges. By creating a spending plan and reviewing spending, you can easily figure out how to save \$50 a month. For example, look at expenses such as dining out, going to the movies, or the take-out coffee you have three or more times a week. By adding this \$50 to the amount paid on the smaller credit card bills, you can pay one bill off much faster and save a lot in interest charges. Often, consumers who apply this debt reduction technique, known as "power paying", use it for other credit cards because it works. You can access an electronic version of power pay by going to www.powerpay.org. Soon enough, you will be debt free and have your finances under control. Next, you must decide to limit the number of credit cards you will keep and the amount of debt you will use to fit your spending plan.

d. Managing your debts so they do not manage you

Consider a few steps so you can manage your debts:

- i. Add up all the debts you have with all creditors except for car loans or mortgages and divide by 12. Evaluate if you can afford this amount and pay off all your debt within a year. If not, ask yourself why are you still using credit cards and consider closing accounts and cutting the cards up.
- ii. Find out why you are having financial problems. Is it as obvious as dealing with an illness or a hardship? If overspending is the problem, start tracking. Find out where the money goes until it is clear to you where you overspend. Once you find the problem areas, try reducing spending in these areas, or eliminating these problem-spending areas.
- iii. Decide how many credit cards you really need. Ideally, all you need is one credit card for emergencies, travel reservations, and other limited uses. Cut up and/or slowly cancel any credit cards you do not use as you pay them off. Remember that just by cutting up a card will not close out the account. You also want to pay off an account or credit card before you close it.

- iv. Pay off or pay down as much debt as you can. Make a repayment plan over a long period. You want to start by paying off the debt with the smallest balance or those with higher interest rates first. Try the goal of getting the amount of your debt at 10 percent or less of your monthly net income.
- v. Make a spending plan and revise so you always include an amount each month for paying off your debt. Always track your expenses so you know where your money is going and always look for ways to spend less.
- vi. Pay cash for everything you buy until you are free of debt. Consider using a layaway plan for items you absolutely must have. This plan will allow you to make a down payment on an item and then claim it when you complete payments of the full balance.
- vii. Build into your/family spending plan a weekly allowance for all cash purchases, groceries, bus fares, lunches, and other necessities. Get in the habit of asking, "If I buy this today, will I have sufficient money for the rest of the week?" When the cash is gone, stop spending. Adults, be honest with yourself and do not use your credit cards. Keep your ultimate goal in mind.

viii. Savings

Although paying down your debt is important, saving should also be a part of your debt management plan. You should still put away some money into savings, because emergencies will happen. You want to always be prepared for emergencies so you do not get set further back on the progress you are making. You might want to check into a free program offered in our state called "Colorado Saves" by visiting www.coloradosaves.org.

ix. Pay bills on time

We all had a time where we forgot to pay a bill. One way to prevent this from happening is to automate as many payments as possible. You can authorize your creditors to deduct funds electronically from your account each month. Or better yet, you can set up electronic payments from your account to your creditors as frequently as needed. Make sure you have sufficient funds in your account to cover the payments.

6. Payment history

Late payments and collection accounts can have a major negative impact on your credit score. If you missed payments, get current and stay current. The longer you pay your bills on time, the better your score. If you experience trouble making payments or meeting your needs, contact your creditors immediately or meet with a HUD-approved housing counselor. You can find one in your area by visiting www.hud.gov. Although this might not improve your credit score immediately, you are taking action to get the problem under control and by doing so, over time you will have your spending under control and your score will improve.

7. Public records

Judgments, repossessions, foreclosures, and bankruptcies are also posted to your credit report. This is information on financial obligations that come from public records obtained from local, state, and federal courts.

a. Judgments and liens

Court orders that are placed when you do not pay a debt or loan. A lien is a claim of someone against your property as a security for a debt or charge. For example, a tax lien is a claim against your property, or assets, filed by the taxing authority for unpaid taxes.

b. Repossession or foreclosure

When you do not make payments as agreed on a secured loan, the lender may take the security. In a foreclosure, the security is a home and the lender can take it. In repossession, the security is a car and the lender will take the car back.

c. Bankruptcy

Declaring bankruptcy has a serious negative impact on your credit score. Bankruptcy is a legal instrument that could be used when a person cannot pay his/her debts. A Chapter 7 bankruptcy is when a court appoints a trustee to sell any assets that are not exempt, to pay as much of your debt as possible. The rest of the debts are cancelled. A Chapter 13 is where you must repay part or all of the debt under a court-mandated repayment plan.

8. Hard pulls vs. soft pulls

A hard pull on your credit report means that your score will be negatively impacted. A hard pull occurs when you apply for loans to buy a home, a car, or open a credit card and the financial institution pulls your credit score. When shopping for a car loan or a mortgage loan, you have a window of 45 days to shop for financing and your credit score will only be impacted once. A soft pull occurs when you or a non-financial institution requests your credit report and/or score. For example, when you request your annual free credit report or when a credit counseling agency requests a copy for counseling purposes, this soft pull has no impact on your credit score.

9. How long positive and negative information remains on your credit report

Positive information remains on your credit report as long as you maintain a positive payment record with your creditors. If you have a credit card with good history, do not close the account; length and health of an account have a positive impact on your score. If an account is closed that has been positive, it will typically remain on your report for 10 years after the date the account is closed. While most negative information remains on your credit report for a maximum of seven years, some information remains longer. For example, an unpaid collection that has no activity can become active again if the collection agency or another agency reports activity on this collection to any of the credit reporting agencies. Otherwise, collection accounts remain for seven years from the initial missed payment that led to the collection. Chapter 7 or 11 bankruptcies remain for 10 years from the date filed. Completed Chapter 13 bankruptcies remain for seven years from the date paid, and 10 years if not completed. Tax liens remain for seven years from the date filed if paid, and remain indefinitely if not paid. All judgments remain for seven years from the date filed. Finally, inquiries remain for two years. The best approach for minimizing the negative impact of this type of information on your credit report is to change your behavior and start paying outstanding debt down until it is completely paid off.

10. "No credit" or "nontraditional credit" situations

Some people do not have any credit history because they do not believe in borrowing money to buy cars or any goods unless they can pay cash for it. Not having credit is not the same as having a bad credit history, but sometimes not having an established credit history makes it more difficult for a lender to see that you can manage your credit responsibly. If you do not have a credit history, you may be able to build a nontraditional credit history by providing the lender with at least 12 months worth of receipts for bills, receipts of payment for items bought over time, rent statements or a letter of good payment history with your landlord, and phone or utility receipts. All this documentation for the length required by the lender shows lenders that you have a history of making regular payments on time. Most lenders accept nontraditional credit history as evidence of creditworthiness.

B. Credit scoring

With your credit report you can also request, for a fee, a credit score. This score is a number based on information contained in your credit report. Credit scoring is a factor lenders use to determine your creditworthiness and whether your request for a loan will be approved or declined. Lenders trust that the better your credit score, the more likely you will be able and willing to repay your loan.

1. Methods used to calculate a credit score

a. FICO

Credit scores are often called "FICO" because Fair, Isaac, and Company, or FICO, created the system used for scoring. The higher the FICO score, the better. This score can range from 300 to 850. For FICO to generate a score, your history must have at least one account open for a minimum of six months or longer. FICO is provided by the three major credit reporting agencies, although each of them has a different name for the same system. Different score models used in the credit industry include different variables based on different types of credit. For example:

i. BEACON

Equifax uses BEACON and ranges from 300 to 850.

ii. Plus

Experian uses Plus and ranges from 330 to 830.

iii. Empirica

TransUnion uses Empirica and ranges from 150 to 934.

Each of these scoring entities are separate companies from the three credit reporting agencies and charge to use their tabulation services, thus charging for credit scores.

2. What affects your credit score?

a. Payment history

The lender wants to know whether you pay your bills on time. This part, your payment history, counts for 35 percent of your FICO score. Payment history includes payment information on specific types of accounts like credit cards, student loans, etc. For example, it will include how many times any of the accounts have been past due or delinquent.

b. Amounts owed (outstanding balance vs. available debt)

Owing a lot of money on your accounts may mean that you are living beyond your means and you are more likely to skip a payment or be late on your payments. The ratio of your debt should be under 30 percent of your outstanding balance. This area compares the total amount you owe to unused credit. Credit utilization counts for 30 percent of your FICO score.

c. Length of credit history (old accounts vs. new accounts)

The longer and more established your credit history, the better. Regardless of the length, this factor counts for 15 percent of the FICO score because your score will also depend on how the rest of your credit report looks. Credit history will account for how long your accounts have been established and how long it has been since you last used your accounts.

d. Types of credit

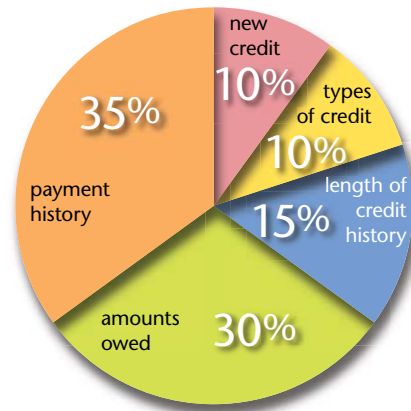
This factor counts for 10 percent of your FICO score and it takes into account how many and what kinds of accounts you have on your credit report. A healthy mix includes credit cards, retail accounts, mortgage loans, car loans, student loan, etc. If possible, use a major credit card for such purchases and pay them off as quickly as possible.

e. New credit

This factor accounts for 10 percent of your FICO score and it takes into account the number and type of recently opened accounts. Number of recent inquiries and the time since the inquiry occurs and time since the account was opened.

f. Inquiries

Occasionally you will need to seek new credit, when you need a car or a student loan, for example. Opening several new accounts in a short time can lead to trouble due to the increase in additional new debt. This factor counts for 10 percent of your FICO score and it consists of the number of new inquiries and opened accounts and when the accounts were opened. When shopping for a mortgage or a loan, multiple inquiries of the same type within 30-day period will count as a single inquiry.



3. Credit repair companies

Be careful of credit repair companies who offer quick credit fixes. These companies advertise credit repair services or debt reduction for hefty fees. These companies will charge you a lot of money for something you can do yourself, for free. The fact is that there is no way to erase bad credit. Only the creditor who reported incorrect information about you to the credit agencies can take this information off your credit report. If the negative information is correct, the credit reporting agency or the creditor will not remove it. Unless it is incorrect, negative information will remain on your credit report for seven to 10 years. You can seek free assistance on credit repair from a professionally trained HUD-approved housing counselor.

4. Ways to improve your credit

Maintain good and healthy financial behavior by always paying your bills on time. Keep your debts at no more than 10 percent of your net income and always make more than the minimum payments on your credit cards. Do not take more debt than what you can handle and refrain from opening new accounts unless you are able to repay. Keep a healthy balance of types of credit such as credit cards, car, and/or mortgage loans and always pay them on time.

X. Consumer laws

A. Know your rights

These can all be found at ftc.gov and/or fdic.gov.

1. Fair Housing

No one is allowed to discriminate concerning race, creed, color, sex, sexual orientation, marital status, familial status, physical or mental disability, handicap, religion, national origin, or ancestry. Regarding the purchase of a home, this means that everyone should be treated equally when looking for and accessing homes, and obtaining a loan, closing costs, and title services.

2. Equal Credit Opportunity

This act ensures that all consumers are given the same opportunities to obtain credit. Creditors cannot discriminate against you based on sex, race, marital status, religion, national origin, age, sexual orientation, or receipt of public assistance. Anyone involved in granting credit, such as banks, small loan institutions, and/or finance companies, must follow this law. Under the Equal Credit Opportunity Act, you have the right to know whether your application was accepted or rejected within 30 days of filing a complete application, and if rejected, the reason for it. The creditor must send you a letter explaining the specific reasons for rejecting your application if you ask within 60 days. If your application was rejected due to information received from a credit reporting agency, the creditor must disclose to you which credit reporting agency was used.

3. Truth-in-Lending Act

This act gives you the right to receive the details on exactly how much the credit you are applying for is going to cost you. These details should be given to you prior to signing a contract or loan agreement. The law requires specific disclosures for open-end (i.e., credit cards) or closed-end (i.e., mortgage loan transactions) and applies to all creditors who regularly extend credit that is subject to finance charges and payable under a contract.

4. Real Estate Settlement Protection Act (RESPA)

RESPA concerns closing costs and settlement procedures. RESPA requires that consumers receive disclosures at various times in the transaction and outlaws kickbacks that increase the cost of settlement services. RESPA is a HUD consumer protection statute designed to help homebuyers be better shoppers in the homebuying process.

B. Dealing with discrimination

If you feel you have been discriminated against, you should file a claim with HUD and the Civil Rights Division.

C. Filing complaints about a real estate broker, appraiser, or mortgage lender

Contact the State of Colorado Division of Regulatory Agency (DORA) at www.dora.state.co.us

section 2

mortgage lending

I. Preparing for your mortgage loan application

A. What is a mortgage?

A mortgage is a “secured loan”, which means the debt is secured against the collateral. An unsecured loan, such as a credit card loan, does not have collateral tied to it. In Colorado, you will sign a Deed of Trust, a promissory note that is your written promise to repay the loan, using your home as collateral.

B. What does a mortgage payment include?

Your mortgage payment is often referred to as PITI (principal, interest, taxes, and insurance). If it includes mortgage insurance, it will be PITI + PMI/MIP.

1. Principal

It is the portion of the payment that is applied towards the original amount of money you borrowed. This payment actually pays down the principal balance of your loan and may create equity in your home if you are in an appreciating market.

2. Interest

It is the cost of borrowing the money or the cost that the lender charges for lending money.

3. Taxes

It is the portion of the mortgage payment used to pay property taxes. Property taxes may be paid twice a year or annually. Check with your county or lender.

4. Insurance

It is a portion of the mortgage payment that covers your homeowners insurance or “hazard insurance”. This type of insurance is required by the lender against hazards, like fire or damage to the property. You may also be required to obtain and pay for flood insurance if you live within a flood zone. Most homeowners decide to purchase a more complete insurance package that includes liability protection. Check with your insurer about combining your insurances. It can be less expensive to combine insurances, such as home, auto, and life.

Your home must always be insured. If you ever decide to switch providers, you must make sure that the new insurance carries the necessary coverage for the asset/home and you inform your lender/servicer of the change. If a homeowner does not carry the necessary insurance coverage for the asset (the home), the lender will take out “forced placed insurance” in place of homeowners insurance. Forced placed insurance is taken by a lender when a homeowner/borrower does not carry insurance on a property. The charges for this insurance are passed on to the homeowner/customer and premiums for forced placed coverage are typically higher than standard insurance premiums.

5. Mortgage insurance

This portion of the mortgage payment is to cover the lender in case of your default or foreclosure on the loan. You are not required to have mortgage insurance if you make a 20 percent down payment when buying your home. Industry standards dictate that if a borrower puts less than 20 percent down on the home, they are more of a risk to the lender, meaning there could be a chance that the borrower will miss payments and possibly go into foreclosure. Mortgage insurance protects the lender in these cases. Depending on the mortgage insurance provider that is required for your loan, you might have an upfront premium, monthly premium, annual premium, or a combination of thereof. Depending on your loan and loan servicers' policy, you may be able to cancel this insurance once you have at least 20 percent or more equity in your property. Cancelling this insurance can be based on borrowers' payment history, property market value, loan guidelines, etc.

6. Escrow accounts

When you make your payments each month, your principal and interest go to your lender. What about the taxes and hazard insurance portion of the payments? Those fees are due to a separate entity, so how do they get paid? Your lender takes the taxes and hazard insurance payments each month and sets these aside into an account called an escrow account. When the payments come due for the taxes and for the insurance, the lender pays these for you out of your escrow account.

7. Homeowners association (HOA) dues

Some properties will have HOA dues. An HOA is an organization created to manage and maintain certain amenities of a development for which the city will not accept responsibility. HOA dues are collected from homeowners to obtain the income needed to pay for these amenities, including master insurance for the entire development, exterior and interior (as appropriate) maintenance, landscaping, water, sewer, trash removal cost, and snow removal. HOA dues can average anywhere from \$50.00 to \$200.00 or more per month. These must be paid; if they are not, the association has the legal right to place a lien on the property that takes precedence over the first mortgage lien. This could result in the HOA forcing foreclosure proceedings in order to recover the fees owed.

II. Getting prequalified for a loan

Before you begin the process of shopping for a home, you will want to know whether you can qualify for a mortgage based on your current financial situation and how much home you can afford. Getting prequalified for a loan will let you know the amount of money you could potentially borrow from a lender (using current interest rates available) and your monthly mortgage payments. This will help guide you in what price range you should be looking for a home.

A. Who to see for prequalification

1. Lender

You can visit a lender of your choice to get prequalified. In a prequalification, the lender does not typically verify any of the information you supply during the prequalification meeting, such as income and credit history. A lender may or may not charge a fee for this service.

2. Housing counselor

You can also visit a housing counselor to work through a prequalification worksheet to help you get an idea of what you might qualify for. Housing counselors have access to the prequalifying worksheets that lenders use. Services from a HUD-approved housing counseling agency are always free.

B. Prequalifying amount is not a guarantee

Keep in mind, getting prequalified for a loan does not guarantee the lender will actually give you a loan; it is only an estimate. The actual amount a lender will loan you is based on income, credit, interest rate at the time you decide to buy, the type of loan you choose, and the property you select.

C. Create a spending plan

It is very important to have a **spending plan** and know where your mortgage payment comfort level is. Make sure your lender knows **your payment expectation** so the lender can better assist you.

D. Income

Your income is especially important in determining the amount of money a lender will loan you. One very important point to make is that lenders will use your gross monthly income. Remember, your gross income is what you earn before any taxes, insurance, retirement, etc., are taken out of your paycheck. Lenders do not use your “take home”, or net pay. Keep in mind that when you prequalify for a loan, that amount could be higher than what you want to spend. Lenders will consider the following as well as other regular income not listed here as part of your gross income:

1. Regular pay
2. Regular bonuses
3. Part time work
4. Social Security income (SSI)
5. Social Security disability income (SSDI)
6. Retirement/pension
7. Child support/alimony

E. Ratios

The lender will use two types of ratios to determine the loan amount you can afford based on your gross monthly income.

1. Housing ratio

Also known as the “front-end ratio”, this is the **maximum** amount of income that can go towards your housing costs each month. For example, a loan program has a housing ratio of 31 percent. This means that 31 percent of your gross income (and remember, that’s **before** taxes) can go toward your mortgage payment.

Example

If you make \$3,000 gross income per month, and your housing ratio is 31 percent, this means that you are allowed \$930 per month for your mortgage payment.

$$\mathbf{\$3,000 \times 0.31 \text{ (31 percent)} = \$930}$$

(Write example on board while explaining)

2. Debt-to-income ratio

Also known as the “back-end ratio”. Lenders will need to consider all your other debts when applying for a loan, so they created another ratio to address all the existing debt plus the proposed mortgage payment. This is called the debt-to-income ratio, which is the **maximum** amount of your income that you can use towards your mortgage **plus** all other monthly debt. This ratio will be higher than the housing ratio because it adds in all your monthly debt. For example, let’s consider a loan that has a debt-to-income ratio of 43 percent.

Example #1

Again, let’s say you make \$3,000 gross income per month and your debt-to-income ratio is 43 percent.

$$\mathbf{\$3,000 \times 0.43 \text{ (43 percent)} = \$1,290}$$

Does this mean you can spend \$1,290 on your mortgage each month? No, we also have to include your monthly debts. Let’s say you pay \$400 in various debts each month. We have to subtract \$400 from \$1,290 to get your monthly mortgage payment.

$$\mathbf{\$1,290 - \$400 = \$890}$$

This means you can use up to \$890 of your income towards your mortgage each month.

Example #2

Let's say, again, you earn \$3,000 per month and the debt-to-income ratio is 43 percent, which gives us an amount of \$1,290 that can be used towards mortgage and debt each month.

$$\text{\$3,000} \times 0.43 \text{ (43 percent)} = \text{\$1,290}$$

Now, let's say your debts are \$100 per month. We would need to subtract \$100 from \$1,290.

$$\text{\$1,290} - \text{\$100} = \text{\$1,190}$$

However, this does not mean you can spend \$1,190 toward your housing each month. Typically, a borrower should not exceed the housing ratio, which as we saw in the previous example, is 31 percent, or \$930. So even though the debt-to-income ratio indicates in the example that you can pay \$1,190 per month, you will typically not be able to exceed the housing ratio. (*Write example on board while explaining or refer to appendices for the "Mortgage Qualifying Ratios" worksheet*).

F. Reserves

Some lenders will require you to have money saved "on reserve" in your own savings account. If the lender requires this, they will need proof that the money is indeed in your savings account. Typically, they prefer to see two to three months of mortgage payments in reserve in the event that you are unable to make mortgage payments due to job loss, illness, etc.

III. Choosing a loan

So what kind of loan should you get? There are many loan products offered in the market and you need to find the loan that best suits your current and future financial goals. One of the first decisions you will need to make when choosing your loan type is choosing between a **government loan** and a **conventional loan**. Both types of loans have some very distinct features that may appeal to certain borrowers.

A. Government-insured loans

1. FHA loan

FHA stands for Federal Housing Administration. FHA loans are insured by the federal government, which means you will pay for mortgage insurance as a part of your monthly payment. FHA loans can be 30-year fixed, 15 year fixed, and they even offer adjustable rate mortgages. There are no specific limitations on who can use FHA financing or where the property can be located. FHA loans require a minimum down payment, (currently 3.5 percent of the sales price) which can be borrower's own funds, gift from family, or provided by approved nonprofit agencies, or governmental jurisdictions. FHA does **not** set the interest rate, the investor does.

a) Acquisition-Rehabilitation mortgages (FHA 203K)

This type of loan enables homebuyers and homeowners to finance the purchase of a house and the cost of its rehabilitation through a single mortgage.

2. VA loan

A VA loan is guaranteed by the U.S. Department of Veterans Affairs. VA loans are available to individuals who have served in and are discharged from the military, or are on active duty. In some situations a widow of a veteran may be entitled to a VA loan. A benefit of the VA loan is that no down payment is required. VA loans have fixed interest rates and are amortized over 15 or 30 years. While there is no mortgage insurance required, a VA loan requires a “funding fee” which can be included in the amount financed. The funding fee is waived for veterans receiving VA disability payments. VA does not set the interest rate, the investor does.

3. Rural Development (RD)/USDA loans

RD/USDA loans are guaranteed by the federal government, through the U.S. Department of Agriculture. Properties eligible for RD financing must be located in specific communities, limited by population, or in rural areas. An RD loan requires no down payment or mortgage insurance. RD loans have fixed interest rates and are amortized for 30 years. Borrowers using RD financing do have to meet the eligibility income limit for the county in which they are purchasing. The RD guaranteed loans are offered by a variety of lenders. RD/USDA does **not** set the interest rate, the investor does.

- a) RD 502 Direct – This is another program offered by RD/USDA, and the actual lender is RD/USDA. These loans have different qualification criteria. RD/USDA **does** set the interest rate.

B. Conventional loans

A conventional loan is any loan that is not insured or guaranteed by the federal government. Lenders typically follow the underwriting criteria (i.e., credit score, debt-to-income ratio, required down payment, acceptable property) determined by Fannie Mae, Freddie Mac, or the investor. Conventional loans usually require a down payment, which may range from 3 to 20 percent. Mortgage insurance is required for loans with less than 20 percent down payment. Interest rates are fixed or adjustable and are determined by the lender. Conventional loans are amortized over 10-, 15-, 20-, 25-, or 30-year periods.

C. Other types of loans

1. Portfolio loans

Portfolio loans are conventional mortgages that are held and serviced by the originating lender. Lenders may offer portfolio loans to serve a specific population, or may retain a loan because it is not saleable to investors. Those loans offered to serve specific populations may have different criteria than other conventional loans.

2. Lease-purchase

This is a shortened version of the term “appropriate term lease with option to purchase contract”. It is a form of real estate purchase that combines elements of a traditional rental agreement with an exclusive option of right of first refusal to later purchase the home.

These contracts are commonly used when a buyer wants to purchase a home, but due to credit issues or other circumstances, would not qualify for a mortgage.

3. Assumptions

This is when a property is financed with an assumable mortgage loan. The buyer still needs to credit qualify in order to potentially take over, or assume, the existing mortgage. This could result in some savings to the buyer. The benefit with this feature is that during high interest rate markets, people could assume a loan that has a lower interest rate, thus benefiting the buyer at no loss to the seller. The upside to assuming a loan is that the borrower may be assuming a loan with a lower than market interest rate. The downside is it may require a larger down payment to assume the loan.

4. Owner carry

This is when a seller offers to finance all or a portion of the purchase price. The seller may own a property free and clear of any incumbrances and may chose to allow the buyer to pay him directly by holding the mortgage. The seller will determine the amount of the down payment, interest rate, and the timeframe he will amortize the loan. It is important when choosing this method of financing to have an attorney involved to prepare the legal documents. It is also important to obtain title insurance as in any other transaction.

5. No documents and stated income loans

A type of loan where very little documentation is required. This loan type does not require income and/or employment verification. The lender/investor does not require any verification of your ability to repay the mortgage and thus uses only your verbal information to determine your ability to borrow. Since this is a high-risk loan, this type of loan will likely have higher interest rates and/or points, it may be an ARM, and may have a balloon payment (which we will discuss shortly), or other terms the lender/investor sees fit.

6. 80/20

Also referred to as a "tandem" loan. This type of loan term involves taking out two loans to pay for the entire cost of a home. The first mortgage finances eighty percent of the purchase price, while the second loan finances the remaining 20 percent, typically known as the down payment. The only up-front expenses are the closing costs. The benefit is that the borrower does not have to pay mortgage insurance. The downfall is that the borrower financed 100 percent of the home with two mortgage loans that carry very different terms and conditions and possibly different investors. The second mortgage may have a higher interest rate and could even be an adjustable rate mortgage (ARM) or have a balloon payment.

7. Bond programs/Down payment assistance/Affordable housing programs

These are programs available for your area to help low to moderate income families purchase a home by offering affordable mortgage loans, down payment assistance, or other affordable housing programs.

- a) Since 1973, CHFA has offered 30-year fixed rate mortgages to first time and non-first time homebuyers in Colorado. With CHFA's first mortgage, qualifying borrowers have access to an optional second mortgage for down payment and/or closing cost assistance. CHFA also has a loan for people with disabilities or parents of a child with disabilities. For more information, visit CHFA's website at www.chfainfo.com.

- b) Others: From time to time communities and counties across the state will offer affordable housing programs. These programs are usually limited to first time homebuyers and families buying properties within a specific area. Contact your local housing authority, HUD-approved housing counseling agency, and/or local lender to find out if any of these programs are available to you. Examples of these programs are El Paso County Mortgage Revenue Bond Program and the Denver Metro Mayor’s Caucus Single Family Mortgage Revenue Bond Program.

D. Loan terms

Whichever loan product you choose, it is helpful to familiarize yourself with loan terminology:

1. Interest rate

The cost of borrowing money. Mortgage loans, car loans, credit cards, etc., all carry an interest rate. It is the cost for financing a purchase of a home, a car, a good, or a service.

2. Fixed (interest) rate

This is a loan with the interest rate fixed for a specific period. You will often hear “30-year fixed”; this is a very common loan choice because you know what your principal and interest payments will be for 30 years. Fixed rate mortgages are also available over 15-, 20-, and 40-year terms.

3. Adjustable (interest) rate mortgage (ARM)

This is a loan where the interest rate is periodically adjusted based on a margin and a predisclosed index. Most commonly used indexes are the One-Year Treasury Bill (T-bill) or London Interbank Offered Rate (LIBOR). Your loan documents will detail when your rate will change, how often, what amount it could change to, and the maximum and minimum interest rate you would pay. With varying rates, borrowers have to be extra careful when entering into a loan with an adjustable rate since payment will change and budgeting will need to adjust accordingly.

4. Loan-to-value

When obtaining a loan, your lender will also consider what is called loan-to-value. Loan-to-value (LTV) is the balance of the mortgage owed on the home compared to the appraised value. The LTV indicates the relationship between the unpaid principal balance of the mortgage and the appraised value (or sales price if it is lower) of the property. Lenders calculate this by taking the loan amount divided by the appraised value of the home.

Example

A home has an appraised value of \$350,000. The loan amount is \$325,000.

$$\mathbf{\$325,000 \div \$350,000 = 0.93 \text{ or } 93 \text{ percent}}$$

The **higher** the LTV ratio means the **lower** the amount of equity a borrower has in the property. Conversely, the **lower** the LTV ratio, the **higher** amount of equity the borrower has in the property, and the borrower is more vested in the property.

5. Interest-only

With an interest-only loan, you pay only the interest on the loan and no payment goes to reducing the principal balance during the term of the loan for a determined period of time. Payments on an interest-only loan are typically lower than a loan where the payment covers principal and interest. At the end of that time, usually one to five years, the borrower will have to start paying principal in addition to interest, meaning payments can increase dramatically. It is imperative that borrowers budget for this higher payment if they choose this loan type.

6. Option ARM

This is a loan with an adjustable rate that features the flexibility to choose among payment options. Typically, one option will be to pay interest only, a second will be to pay less than the interest, and the third is usually a principal and interest payment. Based on your budget for a given month, you pick the payment that you can afford. The downside of this loan term is that at the end of each month, you may end up owing more than at the beginning of the month because you chose a payment smaller than the interest owed. If you choose to pay even less than the monthly interest owed, this will result in what is called "negative amortization". Negative amortization means that any time less interest is paid on the loan than is actually owed, that interest is added to the loan balance thereby resulting in a higher loan amount than you initially had.

7. Balloon payment mortgage

This is a loan that has fixed monthly payments based on a 30-year schedule of payments but with the entire outstanding balance of the loan coming due at the end of a set period. Usually these periods are five, seven, ten, or sometimes fifteen years. At the end of the set term, the borrower has to pay off the remaining balance, called the "balloon" payment. Usually borrowers with balloon mortgages tend to refinance before the end of the term. Borrowers should also be aware of the consequences of not being able to refinance. In other words, when a balloon loan is due, you must refinance or pay it in full.

8. Buydowns

When you make up-front cash payment to reduce the interest rate on your mortgage, it is called a buydown. This is also known as "discount points". Discount points or buydowns can be funded from the borrower's own funds or any excess funds from seller contributions. Different loans allow varying amounts of seller contributions. In cases where there are some excess funds from seller contributions, the lender will evaluate the opportunity to do a temporary or permanent buydown for the borrower.

a. Temporary buydown – Reduces the rate in the first few years of the mortgage

1. For example, a 3/1 buydown: Starts at three points below the permanent interest rate (note rate). It will increase by one percentage point per year over the course of three years. Once at the permanent rate, it will remain there for the rest of the loan term.

2. Borrowers should be qualified or approved based on the highest or permanent interest rate (“note rate”) and need to be prepared for the increase in rate or payment each year, so budgeting is of the essence in this situation.

Example

A 30-year fixed rate mortgage has a note rate of 6 percent. With a 2/1 temporary buydown, the first year’s interest rate will start at 5 percent, the second year it will increase to 6 percent, and will stay at this rate for the remaining 28 years of the loan.

- b. Permanent buydown – Reduces the rate for the entire life of the mortgage. As part of your closing costs, the lender will charge discount points in order to reduce permanently your interest rate.

Example

A 30-year fixed rate mortgage is offered at 6 percent interest with no discount points. However, you could pay a 1 percent discount point to reduce your rate to 5.5 percent. A one percent discount point equals one percent of your loan amount.

- c. Pros of buydowns

1. Your payments are lower since your loan has a lower interest rate.
2. You will pay less interest over the lifetime of the loan, provided you remain in this loan for the long term.

- d. Cons of buydowns

1. The benefits of a temporary buydown are short-lived. Once the buydown period is complete, the loan’s interest rate will be the initial qualifying rate (note rate) for the rest of its term.
2. If you have a temporary buydown, you need to re-evaluate and change your budget as your interest rate increases. A good exercise would be to save the difference between the current mortgage payment and the permanent one. If you don’t budget for this eventual increased payment, you might find yourself having difficulties making your mortgage payment.
3. If you paid your buydown with your own money, make sure that your cost-benefit analysis is positive.

- e. History of buydowns

To provide some perspective on buydowns, in the 70s and 80s when interest rates were 13 percent or higher, it would make sense for borrowers to buy down the rate and make a long term mortgage more affordable. In this scenario, usually the cost benefit from all the interest savings a borrower received from a lower interest rate were justified. Today, in times of historically low interest rates, buydowns are usually justified if the seller contributions are sufficient to buy down the rate for the borrower. Since this is a prenegotiated contribution from the seller, any funds that are not used might be lost. This is why a lender will explore every alternative available to the borrower to use the contribution to the borrower’s best advantage. The lender will always have to make sure that the use of the funds meets program guidelines so as not to risk the loan approval.

E. Mortgage insurance

Lenders make the assumption that the larger the down payment, the less the risk of default. Therefore, if a borrower has 20 percent or more for a down payment, then the borrower will not have to pay for mortgage insurance. Note: Regardless of the size of the down payment on an FHA loan, the borrower will have to pay for mortgage insurance premium or MIP.

Since FHA has upfront MIP for all its loans, when investing 20 percent or more towards the purchase of a home, a conventional loan might make better sense since the conventional loan would not require mortgage insurance.

IV. Choosing a lender

You should be comfortable and confident in the lender you choose. It's highly important that you shop around to find the lender that you believe works best for you. We recommend that you interview at least three different lenders. And remember, you are in charge of selecting your lender. No one, including your real estate agent or the builder, can require that you use a specific lender. However, builders may have an in-house lender or preferred lender and may offer incentives to the buyer if the buyer uses the preferred lender.

A. Where to look

1. Your current financial institution
2. Friends and family referrals
3. Online, like www.chfainfo.com
4. Newspapers
5. Your real estate broker

Look for lenders that offer first time homebuyer programs or those who can provide a variety of loan programs and products. And don't be afraid to ask questions and ask for estimates!

B. Questions to ask when interviewing a lender

1. Are you licensed/registered with the State of Colorado Real Estate Division?
2. What are the fees/costs and when are fees due? (This is located on the Good Faith Estimate, and Truth-in-Lending forms, which we will discuss in a little bit.)
3. Will you supply a Good Faith Estimate and Truth-in-Lending statement within the legally required disclosure period?
4. Will you attend my closing?
5. What type of loan is best for my situation?
6. Is there a fee to lock my rate? What is the lock period?
7. How long has your company been operating locally?
8. How long have you worked in the industry?
9. Will I be able to see the settlement statement well in advance of closing?

Once you have some choices, your last step should be to verify that whomever you choose to work with is licensed and there are no disciplinary actions against them. You can do this by visiting the Colorado Division of Real Estate's website at: www.dora.state.co.us/real-estate/mortgage/disciplinary_action.htm

C. Types of financing sources

1. Financial institutions

a. Banks

For-profit financial corporations who conduct business to maximize the price of its stock and profit for stockholders

b. Mortgage companies

Companies who originate mortgage loans to resale in the secondary market or private investors

c. Credit unions

Not-for-profit financial cooperatives that conduct business for the mutual benefit and general welfare of their member-owners

2. Other financing sources

a. Mortgage brokers

Mortgage brokers are loan finders. They do not lend their own money. Instead, they connect you to a lender who has the money. They may help complete paperwork, check credit, and collect information. They find a loan for you and then you pay them a fee (they may also earn a commission from the lender). Keep in mind that a mortgage broker may or may not have your best interest in mind. They may choose a loan for you based on their earnings.

Tips for selecting a mortgage broker - Check the mortgage broker's reputation. To do so, you can go to www.NAMB.org, National Association of Mortgage Brokers, and the Colorado Division of Real Estate. Find out whom they represent and ask to describe their relationships with lender/investor on your loan.

b. Seller financing

The seller takes on the lender role and gives you a loan to purchase their property. Be sure to insist that legal ownership is transferred to you through a note and mortgage. Also, be sure to watch for contracts for deed or wrap-around mortgages. Protect yourself by contracting the services of a real estate attorney who can evaluate the purchase contract for you. Keep in mind that everything you sign is legally binding so ask yourself if a small investment for legal services justifies your peace of mind when the transaction is completed. This should be a non-interested party to this transaction. Do not rely on the seller or their referrals. You can find a real estate attorney by visiting www.hud.gov.

c. Contract for deed

The seller gives you a loan, but legal ownership of the property doesn't transfer to you until you pay off the loan. Just like seller financing, keep in mind that everything you sign is legally binding. As in seller financing, it is highly recommended that you retain the services of a real estate attorney.

3. Investors (Fannie Mae or Freddie Mac, CHFA, etc.)

These are the entities that own your mortgage loan and have the final say regarding servicing guidelines, especially in the case of hardship.

V. Applying for your loan

A. Getting pre-approved

Most lenders will offer "pre-approval", which means you apply for your loan before you've found the house that you want to purchase. Pre-approval can give you some assurance as to whether you can qualify for a loan and for what amount.

1. Pre-approval vs. prequalification

Lenders use the same formula to pre-approve you for the loan that they used to prequalify. A pre-approval is based on verified/documented information such as income and credit history. The lender orders a credit report that will show as an inquiry on your credit. Pre-approval guarantees the lender will loan you that amount as long as you purchase within a certain period, your financial situation remains the same, interest rates remain the same, and the property meets loan guidelines. If the lender has a pre-approval fee, you may lose this fee if you do not purchase within the designated period.

A lender bases prequalification on verbal information you provide; the lender verifies none of it. Prequalification does not guarantee that the lender will loan you money.

2. Qualifying for a mortgage you can afford

You can often "qualify" for more mortgage than you want to pay. Make a spending plan and know what amount you can comfortably make and do not exceed that amount!

Remember, the lender will base their decision on your gross income; you only have net income to work with every month in your spending plan. Included in the gross amount will be your regular employment income, as well as additional sources of income such as alimony, child support, social security, disability, interest income, part time job, etc.

3. Advantage of a pre-approval

Pre-approval can make you more competitive as a buyer in a competitive housing market because it assures the seller that you have financing in place.

4. Co-borrower, nonoccupying co-borrower, and cosigner

A co-borrower is a person who is on title of the property and shares equal responsibilities to repay the debt. A nonoccupying co-borrower is a person who shares equal responsibilities as the borrower and co-borrower but does not occupy the property. A cosigner is a person who is not on title to the property and yet agrees to share the responsibility to repay the loan if the borrower defaults.

B. Loan application

You will need various types of documentation and it will vary depending on lender and loan type. The lender will verify all required information for final loan approval. Let's go over a typical list of what you may need for your mortgage loan application.

1. Paystubs

Usually, you will need one to two most recent months' worth to verify your income.

2. W-2s and tax returns

You will typically need W-2s and between one and three years of tax returns. Loan programs limited to first time homebuyers (such as some CHFA loans) require three years. You may need the full tax return or just certain schedules as the lender indicates.

3. Social Security number

This allows the lender to order a residential mortgage credit report.

4. Rental history information

This is used to verify how you have been handling rent payments over the past year or longer.

5. Divorce decrees, separation agreements, and child support agreements

If any of your income comes from alimony or child support, or if previous debts are addressed by a divorce or separation agreement, you will need documentation. If you are responsible for paying child support or alimony, you must also disclose and document it.

6. Disability or Social Security award letters

If this income is going to be used to qualifying for the loan, you will need to provide documentation.

7. Bank account information

All pages of bank statements will be required. Lenders generally ask for one to two months to verify your income, expenses, and that there are sufficient funds needed to close the loan. Checking account statements may be checked for nonsufficient funds (NSF) and for excessive instances of overdraft.

Some lenders will require you to have money saved "on reserve" in your own savings account. If the lender requires this, they will need proof that the money is indeed in your savings account. Typically, they prefer to see two to three months of mortgage payments in reserve in the event that you are unable to make mortgage payments due to job loss, illness, etc.

8. Investment and/or retirement accounts [401(k), Stocks, PERA, etc.]

Include all pages to verify your assets. These accounts may also be used for the lender's requirement that you have reserves.

9. Bankruptcy discharge papers

This document is for the lender to verify the filing and discharge date of the bankruptcy. The lender will compare any debts showing on your credit report with the debts discharged in the bankruptcy. The lender may require additional information and explanation as to the circumstances of the bankruptcy.

10. Purchase contract

A fully executed and accepted purchase contract confirms the actual property and purchase price to the lender so that they may order an appraisal and possibly lock the rate. The contract will also give the lender the timeline for the transaction and the deadlines that the lender must adhere to (appraisal deadline, loan commitment deadline, etc.).

C. Lender/Loan fees

When you apply for a loan, there are fees that may be charged at the time of application. Be cautious about upfront fees, and ask questions about anything that you do not understand. Let's cover some common fees that you may be charged.

1. Application fee

This is the cost to have the lender process your loan. Some lenders ask for this fee upfront although many may charge it at time of closing. This fee will vary from lender to lender and may be based on the type of loan.

2. Credit report fee

This is the charge from a third-party provider to generate your residential mortgage credit report. The lender will review the report in detail to verify debts and payment history. Some lenders ask for this fee upfront although many may charge it at time of closing. Lenders may only charge the actual cost of the credit report.

3. Appraisal fee

The appraiser is not an employee of the lender, but a third-party provider. The appraisal determines the value of the collateral for the loan for the property you wish to purchase. Since an appraisal is done by an outside entity, this fee may need to be paid at the time of service, or again, could be included at closing.

4. Rate lock-in fee

This fee could be charged when you are locking your interest rate. This fee could be due at the time of lock or added as a closing cost at settlement. A lender is required to provide a lock-in disclosure.

D. Loan disclosures

A variety of federal and state laws require lenders to provide initial disclosures of your mortgage costs within three business days of receiving your loan application or monies from you. Let's cover the types of disclosures you will receive (find examples of all these documents under appendices).

1. Colorado Tangible Net Benefit Disclosure Form

This disclosure states that a lender has the duty to not recommend or induce the borrower to enter into a transaction that does not have a reasonable, tangible net benefit to the borrower.

2. Colorado Lock-in Disclosure Form

The lender must disclose this form to the borrower within 72 hours of locking the rate. It outlines all terms of a rate lock-in and how you will be notified of rate changes. If the annual percentage rate (APR) rate changes by more than 1/8 of a percent from the initial rate, up or down, you will be notified in writing, within three days from the date of rate change.

3. Colorado Mortgage Loan Originator Compensation Disclosure Form

This form outlines details of the compensation that is paid, including compensation paid by the funding lender as the result of the closing of your mortgage loan.

4. Good Faith Estimate

This statement includes the fees and costs associated with your loan. The lender should also provide you with a copy of the Initial Fees Worksheet. This worksheet will show in greater detail all the fees and costs associated with the loan, lender fees, third-party fees, etc. These fees, also called settlement costs or closing costs, cover every expense associated with your loan, including fees to process the loan, title insurance, inspections, taxes and insurance, and government charges. The Good Faith Estimate is just that — it is only an estimate. Your HUD-1 Settlement Statement might differ from your most recent Good Faith Estimate. You should compare this Good Faith Estimate with the HUD-1 Settlement Statement and ask your lender if you have any questions before closing.

Let's look at the sample Good Faith Estimate and Initial Fee Worksheet we provided. A few items to point out: These documents are a summary of your loan information. These documents will disclose the information as follows: initial loan amount, loan term, initial interest rate, escrow account information, a summary of your settlement charges, explanation of your settlement charges, charges for all other settlement services, and a total estimated settlement charges.

5. Federal Truth-in-Lending Disclosure Statement

The Truth-in-Lending Statement is designed to promote full disclosure from the lender about their costs and fees. This disclosure helps you be an informed consumer. Refer to the example of the Truth-in-Lending enclosed.

a. Annual percentage rate (APR)

The APR on the Truth-in-Lending Disclosure Statement includes the points and other fees that you are paying above and beyond interest on your loan, so the APR will be higher than the interest rate. The APR is what you want to use when comparing loans; it will give you the full picture of which loan will be least expensive since it combines the interest rates with all other fees. This is the cost of the credit as a yearly rate.

b. Finance charge

This is the dollar amount the credit will cost the borrower.

c. Payment schedule

d. Demand feature

The demand feature defines the terms under which the remaining principal will be payable on demand to the lender. For example, a balloon payment is a type of loan term that will have a demand feature. In a balloon payment, the mortgage rates are typically lower for a specified amount of time, say 15 years, and then at the end of the 15 years, the rest of the loan is due, in full, on demand.

e. Variable rate feature

This box will be checked if your loan has a variable rate opposed to a fixed rate. This feature will apply to adjustable rate mortgages (ARM) when the interest rate is expected to change or adjust during the loan term.

f. Late charges

This item will disclose when a payment is considered late and the resulting percentage that you will have to pay.

g. Prepayment penalties

In this case, lenders will charge a fee if the borrower chooses to pay off part or all of the loan balance within a certain period. For example, a loan may have a five-year prepayment penalty, which means the borrower will have to pay a fee if he/she wishes to make additional principal payments, refinance or pay off the loan within this five-year period.

h. Assumption feature

This indicates whether the loan can be passed on from a seller of the home to a buyer, with the buyer assuming the loan and all outstanding payments.

Again, the Truth-in-Lending Disclosure Statement is a **very good way to compare costs** between lenders on identical loan programs. When comparing between lenders, look at the following:

- Type of loan
- Interest rate/APR
- Monthly payment
- Loan amount
- Loan terms
- Other costs and fees

VI. Characteristics of subprime and predatory lending

A. Subprime loans

A subprime loan is used in any situation where the borrower or the property creates more risk to the lender, and therefore has higher interest rates or fees. Subprime loans may be predatory if they are sold to borrowers who in reality could qualify for a better loan product. If you have credit problems and are thinking about a subprime loan, look at other options first such as a government-insured loan or perhaps delaying purchasing a home in order to improve your credit rating.

B. Predatory lending

Predatory lending uses certain tactics, products, and prices that are unfair to the borrower. Some red flags for predatory lending include:

1. Single-premium credit life insurance

This product pays off the balance of the loan in the event of the borrower's death. A predatory lender will tell you that single-premium credit insurance is required by the lender in order to qualify you or approve your loan. This is a lie.

2. Prepayment penalties

When discussing the Truth-in-Lending Disclosure Statement, prepayment penalties are fees charged if a borrower wishes to pay off part or the entire loan within a certain period. This tactic can prohibit borrowers from refinancing because they cannot afford the prepayment penalty fee, and may hold the borrower to a higher interest rate for a longer period.

3. Balloon payments

This is a loan that has fixed monthly payments based on a 30-year schedule of payments but with the entire outstanding balance of the loan coming due at the end of a set period. Usually these periods are five, seven, ten, or sometimes fifteen years. At the end of the set term, the borrower has to pay off the remaining balance, called the "balloon" payment. Usually borrowers with balloon mortgages tend to refinance before the end of the term. Borrowers should also be aware of the consequences of not being able to refinance. In other words, when a balloon loan is due, you must refinance or pay it in full. The balloon feature is considered to be predatory if this feature is not properly disclosed to the borrower.

4. Option ARM/payments

An Option ARM is also referred to as a "pick your payment loan". It is a loan that has an adjustable rate feature, meaning your monthly payment will change at times specified in the loan; for example, every month, every six months, or every year. In addition, you get the option to choose from several payments each month.

- a. You can pay the minimum payment, which covers only a portion of the interest charges. If you pay this lowest payment, the additional interest is added on to the loan balance and the loan actually gets bigger over time rather than smaller. This is called "negative amortization".
- b. The second option is to pay interest only. This makes the loan balance stay the same, but not go down.

- c. The third option is to pay principal and interest on a schedule that will pay the loan off over 30 years.
- d. The last option is to pay principal and interest on a schedule that will pay the loan off over 15 years.

Obviously, the partial interest payment presents the lowest payment option and attracts borrowers to pay it over the higher, fully amortizing payments. When the lowest payment is paid, and the loan balance gets bigger, there becomes a point, which is spelled out in the loan documents, at which the borrower can no longer make just the minimum payment, for example, 10 years, or when your balance hits 110 or 125 percent of the original balance. When this happens, it creates a significant payment increase, which is most often completely unaffordable.

5. Negative amortization

As we described in Option ARM/payments, this is when your monthly payments are not enough to cover the accrued interest. The unpaid interest will then be applied to the principal balance, increasing the amount that you owe.

6. Higher interest rates and fees

Interest rates and fees that are not competitive with current market rates and not justified based on your risk to the lender. If a lender convinces you to accept a higher interest rate loan and promises to refinance you into a lower interest rate in the future, this could be a red flag.

7. Discount points

This is a form of prepaid interest. One point is equal to one percent of the loan amount. Paying points will reduce the interest payment (either temporarily or permanently) which gets you a lower mortgage payment. If you are paying discount points and they are not giving you a reduction in the interest rate, this is a red flag. This is considered a predatory practice.

8. Padding costs and fees

Examples of these would be excessive processing fees, extra closing costs, or inflated appraisal cost.

VII. Loan processing

So now you've found your home and are under contract. Congratulations! Once you have a fully executed contract to purchase, the loan process can take an average of three to four weeks. Let's look at what happens during the loan processing stage.

A. Borrower coordinates inspection

After the seller accepts the buyer's offer, the buyer hires a professional home inspector to identify potential mechanical or structural problems with the property. If property passes inspection, the buyer can move forward with loan processing. However, if the inspector identifies potential problems, additional professionals may be required to inspect, i.e., structural engineer, environmental inspection for lead-based paint, radon, electrician, plumber, roof experts.

B. Lender orders appraisal

The lender hires an appraiser to give an independent and objective evaluation of the current market value. The real estate contract gives a buyer the right to withdraw the offer if the property appraisal is less than the purchase price.

C. Borrower procures hazard insurance

Usually referred to as homeowner's insurance, the lender requires this type of insurance to protect the home against hazards like fire or storm. You may still need hazard insurance if buying a condominium or townhouse if the master policy is only studs-out coverage. Flood insurance coverage is generally not included with hazard or homeowners insurance policy; however, it may be required if you live within a flood zone.

D. Title company

A title company is a neutral third party that works for all parties involved in a real estate transaction. They hold all monies and distribute it as instructed. They do not interpret the contract for either party and they don't give recommendations of how it should be written.

1. HUD-1 Settlement Statement

The title company is responsible for preparing the HUD -1 Settlement Statement, the official closing statement of the loan. This should be prepared a day before closing and reviewed by you. This document can be compared to the Good Faith Estimate that the lender gave you to assure the lender is charging the fees that were originally disclosed.

2. Warranty Deed

At closing, the title company prepares the Warranty Deed, which transfers title to the property. You should verify the accuracy of the address, legal information, and name(s) on this document. The title company is the one responsible for assuring all documents from closing are recorded as public record. Therefore, they typically are the closing agent for the purchase.

3. The title company performs the title search to determine the answer to three questions:

Does the seller have a saleable interest in the property?

What kind of restrictions or allowances pertains to the use of the land (real covenants, easements, or other servitudes)?

Do any liens exist on the property that need to be paid off at closing (mortgages, back taxes, mechanic's liens, or other assessments)? A lien is a legal claim against the property.

4. Title insurance

You will also need to pay for title insurance, which covers the owner and the lender. This protects you against financial loss as a result from defects from the title to real property. ("Exceptions": see page in sample title commitment that the title insurance is insuring everything, **except...**)

5. Property survey or Improvement Location Certificate (ILC)

As part of the loan process, a lender will require either a survey or an Improvement Location Certificate (ILC). This is an illustration of what the local jurisdiction has on record in terms of the property boundaries. It is always good to check fences, garages, sheds, etc., to assure they are within the property lines and not encroaching on an adjacent property.

6. Charges

The title company will charge for the title policy that puts the home in your name and provides insurance on title; conducting the closing for the real estate and loan transaction; notarizing the documents and the cost of receiving electronic documents and closing instructions from the lender and preparing for signatures; and for any recording/filing and mailing fees.

Your contract or purchase agreement should allow you to cancel the transaction and get your earnest money back if certain conditions written into the contract are not met, such as a satisfactory home inspection.

VIII. Loan underwriting and approval

Once all the necessary documents have been collected and the entire borrower's information is verified, the loan will move to the underwriting stage. The underwriter will review all the facts about your assets, your capacity to repay the loan, how good a credit risk you are, and the value and condition of the property you wish to purchase (the collateral). Using this information, the lender determines whether or not to approve/recommend the loan.

A. Common reason for loan denial

1. High ratios

This means that too much of your monthly income goes to pay installment debt, such as credit cards or other loans.

2. Insufficient funds to close

This means you don't have enough money to pay the down payment and/or closing costs. If the loan program allows it, you may be able to get assistance from a community-based nonprofit organization to help with the needed upfront costs.

3. Low appraisal

If the value of the house is less than the contract purchase price, the lender will decline the original loan amount, but you might be approved for a lower loan amount.

4. Changes in your finances or credit score since pre-approval

As we discussed in the credit section, your credit score is crucial in the borrowing process because it tells the lender how likely you are to repay the monies owed. Different lenders and different types of loans will have different credit score requirements. Discuss with your lender the factors for denial of credit due to your credit score.

Remember, if your loan has been declined, you certainly have not missed your one and only chance to buy a home. Do some research. Ask the lender if there is anything you can do to fix the problems that caused your loan to be declined. Consider meeting with a HUD-approved housing counselor to work on the problems that caused your loan to be declined.

XI. Loan closing

Lenders are required to provide closing documents prior to closing (federally-chartered banks are exempt). The lender must provide these documents and the "Buying Your Home: Settlement Costs and Information," also known as the HUD booklet, within three business days prior to closing.

A. Review your closing documents

Review the HUD-1 Settlement Statement! Compare this with the most recent Good Faith Estimate. This is the final accounting of all the costs and credits associated with the successful completion of any mortgage process (either refinance or purchase). This document indicates how much money the borrower will be bringing to closing. Your lender should review this document with you prior to closing. If necessary, ask about differences between these two documents. Bring these documents to closing as a reference.

And remember, **do not sign anything you don't understand**. Speak up if something does not make sense to you. And, if you want help deciphering the documents, contact a housing counselor prior to closing to go over the loan documents with you.

B. Fulfill and complete all outstanding requirements prior to closing

As closing day approaches, there will still be tasks you will need to take care of. These tasks include:

1. A final walk-through of the property one or two days before closing to make sure the house is in the same condition as it was when you made the offer and all items included in the contract are still in the property.
2. Review your HUD-1 Settlement Statement
3. Get a cashier's check payable to yourself, for the amount you need to pay at closing (your HUD-1 Settlement Statement will tell you how much you owe).
4. Call the utility companies to have the utilities transferred to your name as of the date of closing.

5. Reasons that could prevent or delay a closing:

- The walk-through the day of closing reveals damage or issues with property that have arisen since inspection.
- The lender has not finally approved the loan.
- The title company has not received closing figures from the lender.
- There is an issue with the buyer's ability to close; due to circumstances since initial approval, the buyer no longer qualifies for the loan (i.e., insufficient funds for closing, loss or change of employment, buyer-incurred new debts).
- The lender has not coordinated with the down payment assistance program and the down payment assistance entity needs more time to close.

C. Closing

1. Attendees

There will be many players at your closing.

- a. Title company's closer: This person coordinates the closing transaction. He/she receives and deposits escrow monies in established accounts and disburses funds from each account. The title closer is also required to review closing documents to determine accuracy of information and need for additional documents.
- b. Real estate brokers: Both your agent and the agent for the seller.
- c. Down payment program representative: This person may be here only if you are getting down payment assistance and if that provider is required to be there.
- d. Lender: The person that put together your loan
- e. Seller
- f. You!

2. Loan documents to sign

During your closing, there will be many loan documents for you to sign and it can be overwhelming. Let's break down these documents to help you gain a full understanding and ease some of the anxiety about all the paperwork.

a. Deed of Trust (Mortgage)

The Deed of Trust is a document that secures your loan and is evidence of the debt. Once signed, it will be recorded and becomes public record. The deed will reference three parties: (1) the trustor, which is you as the borrower; (2) the trustee, which is an independent third party that does not represent the buyer or the seller, and in the state of Colorado the trustee is the Public Trustee of your county; and (3) the beneficiary, which is the lender. It also covers the rights of the borrower and the lender. The deed is a document that spells out all the information about the loan including, but not limited to:

1. Original loan amount
2. Legal description of the property being used as security for the mortgage
3. Parties involved (borrower, lender, and Public Trustee)
4. Inception and maturity date of the loan
5. Mortgage provisions and requirements
6. Late fees
7. Legal procedures (Example: If the borrower defaults on the loan, the public trustee has the right to foreclose.)
8. Acceleration and alienation clauses; the right to accelerate the terms of your loan, typically done in a loan default situation
9. Riders, which outline any prepayment penalties or terms of adjustable rate mortgages

b. Promissory Note

This is a promise to pay the loan, from the borrower to the lender. While the Deed connects the debt to the property as security, the Note is a document that acknowledges the debt and indicates promise to pay. The Note will contain the loan terms, such as interest rate. Unlike the Deed, the Note is not a publicly recorded document.

c. HUD-1 (final)

The HUD-1 is the settlement statement. This is the final accounting of all the costs and credits associated with the successful completion of any mortgage process (either refinance or purchase). This document indicates how much money the borrower will bring to closing. It is wise to compare this with your Good Faith Estimate.

d. Final Truth-in-Lending (TIL)

You received an Initial Truth-in-Lending when you applied for the loan. A final TIL is provided at closing since your loan and loan terms might have changed since initial application.

e. Affidavits

These forms will ask you to confirm certain information in writing. The forms will vary depending on your specific situation. A lender may require, for example, that you complete an affidavit stating that you intend to live in the property that you bought as your primary residence (versus it being a home that you will rent).

f. Power of Attorney

A power of attorney (POA) or letter of attorney is an authorization to act on someone else's behalf in a legal or business matter. The person authorizing the other to act is the principal, grantor, or donor (of the power), and the one authorized to act is the agent. This document would be necessary if you are unable to attend the closing.

3. Real estate documents to sign

a. Warranty Deed

This is a type of deed that states that the grantor (seller) guarantees that he or she holds clear title to a piece of real estate and has a right to sell it to the grantee (buyer).

b. Buyer's and Seller's Statements

At closing, different statements are issued for the buyer and the seller. Each statement (or settlement sheet) includes debits (amounts owed) and credits (amounts to be received). On the buyer's statement, the buyer is debited with the purchase price of the property, and then the loans the buyer has on the home are credited to the buyer. If there is a difference between the debits and credits and the buyer owes money, this will be required from the buyer in cash.

c. Final Tax Agreement

Property taxes in Colorado are paid in arrears (i.e., the tax statement received in 2009 is for the 2008 property taxes). Real estate taxes are due for every single day of the year; there can be no days left unaccounted for. Further, tax rates can and do change. The final tax agreement will indicate the date that the real estate change hands from the seller to the buyer and the tax rate at that time.

d. Final Water Agreement

Similar to the Final Tax Agreement, the Final Water Agreement indicates the date that charges for water change hands from the seller to the buyer and the rate of water at that time.

e. HOA fees

At closing, HOA fees will be addressed via the settlement statements. There can be no lapse in payment for this type of fee, and the seller and buyer will be credited and debited accordingly on the settlement statement.

4. Down payment, closing costs, prepaids, and escrows

Typically, these range between 2 and 3 percent of the purchase price of the property, depending on where you purchase your home. This includes various fees charged by the lender, taxes, and escrow and reserves.

a. Down payment

Your down payment is due at closing; usually the earnest money you paid as a deposit with your purchase offer is applied to the total down payment and/or closing costs. The amount required for your down payment will vary based on the type of loan you obtain.

b. Closing costs

Closing costs are the costs related to obtaining your loan, things like appraisal, credit report, title insurance, lender processing fees, etc. Some of these items might have been collected at application, like appraisal or credit report fee. Any of the costs that are still owed will be collected at closing.

c. Prepays

Prepays are items that are paid in advance at closing. For example, you may be required to pay the first year homeowner insurance, additional months' HOA fees, etc.

d. Escrows

As mentioned earlier, your lender collects the taxes and insurance payments as part of your mortgage payment and sets these aside into an account called an escrow account. Depending on the time of year you are closing, the lender will inform you how many months of real estate taxes and homeowners insurance must be collected at closing.

5. Items to bring to the closing

Bring copies of the Good Faith Estimate and HUD-1, which you should have received at least three days prior to your closing. You will need to bring a cashier's check payable to yourself. **Do not** bring a personal check or cash to closing. You will need to bring an ID, such as a driver's license, passport, or other form of legal identification. Your lender will alert you to any other miscellaneous documents that you might be required to bring. And finally, do not leave closing without a copy of your signed mortgage and real estate documents.

section 3

real estate

I. Role of the real estate broker

The real estate broker helps you find a suitable home. He/she will prepare offers on properties at a price that is acceptable to the buyer and will guide the buyer in the purchasing process as well as keep the buyer informed. The broker will communicate information from the seller and their listing agent and coordinate with the bank, title company, and listing agent to assure everything is addressed in a timely manner. Lastly, the real estate broker will disclose any material facts that the agent knows about the property or Homeowners Association (HOA).

II. Selecting a real estate broker

A. Realtor® vs. a real estate broker

A Realtor (versus a real estate broker) is a person who belongs to a local board of Realtors, has completed more educational requirements than a real estate broker, has paid a fee, and is held to a higher standard and code of ethics. Hiring a Realtor versus a real estate broker is always recommended.

B. How do you hire a real estate broker?

The best way is word of mouth from family and friends who have had a good experience. You need a good person — one with experience in the first time homebuyer market. Make sure you are comfortable with a real estate broker **before you sign anything!**

This is not a time to hire a friend or family member who just got their license, especially when utilizing first time homebuyer programs. The agent needs experience.

Once you have some choices, your last step should be to verify that whomever you choose to work with is licensed and there are no disciplinary actions against them. You can do this by visiting the Colorado Division of Real Estate's website at www.dora.state.co.us/real-estate/mortgage/disciplinary_action.htm

C. Questions to ask a real estate broker; interview a real estate broker to assure they are going to work for you.

1. Do you work nights or weekends?
2. How many clients are you currently working with that are looking for homes?
3. How many times per week can we look at properties? What time?
4. How much time do you devote to clients?
5. Are you a HUD-registered agent? Have you had successful HUD bids in the recent past?
6. Do you specialize in first time homebuyer programs? What has been your experience with these programs?

7. Do you have a website or program that clients can utilize to help them search for homes online?

D. Types of real estate brokers

A good way to explain this is to draw a diagram as below to explain Seller, Buyer, and Transaction Broker.



1. Seller's agent

A seller's agent (or listing agent) works solely on behalf of the seller to promote the interests of the seller with the utmost good faith, loyalty, and fidelity.

- The agent negotiates on behalf of and acts as an advocate for the seller.
- The seller's agent must disclose to potential buyers all adverse material facts actually known by the seller's agent about the property.
- A separate written listing agreement is required, which sets forth the duties and obligations of the seller's agent and the seller.
- The seller's agent's job is to sell the house for as much as they can. Very often, the seller agrees to pay a commission (a percentage of the sales price) to encourage the agent to obtain the highest price they possibly can for the home. This range is usually in the 5-7 percent range (but not always).

2. Buyer's agent

A buyer's agent works solely on behalf of the buyer to promote the interests of the buyer with the utmost good faith, loyalty, and fidelity.

- The agent negotiates on behalf of and acts as an advocate for the buyer.
- The buyer's agent must disclose to potential sellers all adverse material facts actually known by the buyer's agent, including the buyer's financial ability to perform the terms of the transaction and, if a residential property, whether the buyer intends to occupy the property.
- A separate written Buyer Agency Agreement is required, which sets forth the duties and obligations of the buyer's agent and the buyer.
- The buyer enters into a Buyer Agency Agreement (a contract to hire a real estate broker). This agreement does not imply the buyer must purchase a home; it simply means the buyer has selected a real estate broker to work with and entered into an agreement to work with that agent. A buyer can only have one contract with one real estate broker at a time.

- e. Unless addressed in the Buyer Agency Agreement, the buyer does not pay their buyer's agent, as they are paid a percentage of commission from the seller's agent.

3. Transaction broker

A transaction broker assists the buyer, seller, or both throughout a real estate transaction by performing terms of any written or oral agreement, fully informing the parties, presenting all offers, and assisting the parties with any contracts, including the closing of the transaction, without being an agent or advocate for any of the parties.

- a. A transaction broker must use reasonable skill and care in the performance of any oral or written agreement.
- b. A transaction broker must make the same disclosures as agents about all adverse material facts actually known by the transaction broker concerning a property or a buyer's financial ability to perform the terms of a transaction and, if a residential property, whether the buyer intends to occupy the property.
- c. No written agreement is required.

4. Customer

A customer is a party (a potential buyer or seller) to a real estate transaction with whom the broker has no brokerage relationship because such party has not engaged or employed the broker, either as the party's agent or as the party's transaction broker.

5. Exclusive Right-to-Buy Listing Contract/Buyer Agency Contract
(see appendices for full-size sample)

This is a binding real estate brokerage contract. This document will specify the terms, buyer/broker relationship, broker's duties, broker's compensation, buyer's obligations, additional provisions, etc.

Since this is a binding legal contract, you must read and understand the terms and conditions prior to signing this document. Your real estate broker should explain this document so you understand it prior to your signing.

III. Shopping for a home

A. Likes/dislikes

- 1. What have you liked about past homes/apartments?
- 2. What are current/future household needs? Will the family be expanding?
- 3. What are your wants/desires? - number of bedrooms, number of bathrooms, a basement, garage, schools, square footage, location, etc. Now, what of these are absolute needs to you and/or your family?
- 4. What are your personal/family interests and how do those relate to the search for a home?

- B. Communicate with the real estate broker about likes/dislikes of homes that you are touring. Often, you can narrow the search once you understand the market and housing stock available.
- C. Watch for signs that your expectations may not be realistic.
 - 1. The real estate broker cannot find many or any properties to show you based on your criteria.
 - 2. The only homes available are less than desirable or in need of extensive repairs based on affordability.
 - 3. The only homes available are too small.

IV. Locations of homes

If you are lucky enough to realize where you want to buy and the homes are available in your price range in that area, the home selection is usually much easier. Many first time homebuyers might (or might not) have a general location in mind without narrowing down to a particular neighborhood.

A. Multiple Listing Service (MLS)

It's a huge database that lists details on the majority of homes for sale; the only way to access MLS is through a licensed real estate broker.

- B. Public websites that can help a buyer become familiar with the market if your real estate broker does not have such a tool
 - 1. www.realtor.com
 - 2. www.recolorado.com
 - 3. www.coloradohousingsearch.com
 - 4. www.coloproperty.com

C. Other house listings

Buyers can also research properties for sale through newspapers, real estate shopper guides, open houses, etc.

D. Considerations when selecting a home/neighborhood

1. Local amenities
2. Local schools
3. Public transportation options
4. Call the local police department and inquire about crime rates in the area
5. Call the power/gas department and obtain the average gas/electric bills for the home
6. Call the water department and determine the average water bills for the home
7. Talk to the neighbors
8. Visit the neighborhood at various times (day, evening, late night, etc.)
9. Check the County Treasurer's office to determine the amount of the property taxes for a specific property
10. Check the Public Trustee website to assure the home is not in foreclosure

E. Contact your agent to access properties

Always remember, if you have signed a Buyer Agency Agreement with a real estate broker, call your agent to access any properties. Once you have selected a potential home and the investigation outlined above is complete, develop a household budget and determine if the purchase is realistic.

V. Types of homes

- A. Single family is one house on a lot
- B. Townhouse is a multifamily living whereby units are side-by-side and the homeowner owns the unit
- C. Condo is also a multifamily living whereby units can be above, below, and on each side; the owner owns the space inside the walls
- D. Modular homes are types of homes that are factory built and transported to the site and assembled on a permanent foundation. They follow national building codes and are treated as any other single family built home.
- E. Manufactured/mobile home

Manufactured homes permanently fixed to a foundation where the land is part of the property being sold; can be financed with real estate loans. In cases where the structure is not attached to land and is mobile, it is not considered real estate and not able to be financed with real estate loans. If a buyer is interested in this type of homes, they should investigate the financing options and requirements with a local bank **prior to selecting a home.**

F. Additional considerations

1. Short sale

Often advertised as “pre-foreclosure”

Example

The seller bought their home a few years ago for \$200,000. Since that time, they have lost their job and cannot make their mortgage payment. The prices of homes in the neighborhood have dropped to around the \$140,000 price range. The seller contacts their bank and negotiates a short sale or short payoff of \$140,000 (\$60,000 short). The important factor to keep in mind if you make an offer on a short sale is that the sale is contingent upon bank approval — sometimes this can take months.

2. Foreclosed home

A home that is now owned by the bank or the mortgage insurance company because the homeowner could not make payments over an extended period. When purchasing homes in this category, each seller will have an addendum to the standard Colorado Real Estate Contract that will state the terms and conditions of the sale and deadline dates for inspections, loan approval, etc.

3. HUD home

A foreclosed home whereby the previous owner had an FHA loan. You can find these homes at www.mcbreo.com and all offers must be made online through a HUD-registered real estate broker. Buyers must have a loan pre-approval letter when making offers.

4. Deed restriction

This is a means by which a community can maintain affordable housing inventory in high priced real estate markets. Under this concept, a seller of a property is restricted by the deed as to how much the property can be sold for and how much profit a seller can make on the sale. There are typically income restrictions for the buyers that apply each time the property is sold. You should read the legal documents in their entirety and make sure you understand the restrictions. These are often a way to purchase homes in areas where prices exceed the affordability of the labor force (i.e., Boulder, Downtown Denver, Eagle, etc.).

5. Land trust

Under this concept, a land trust owns the property and rents it to the homeowners. The land trust has a deed restriction on the property that states income requirements for purchasers and equity restrictions for sellers. These land trusts are often for 99 years, thus keeping housing affordable for many years to come.

VI. Homeowners Association (HOA) or Common Interest Community (CIC)

A. Who participates in an HOA?

An HOA is comprised of the homeowners — everyone is member. One can choose to be uninvolved, but by virtue of purchasing where there is an HOA, one is a member.

B. What is an HOA?

HOAs are nonprofit corporations, meaning the board of directors must be volunteer and cannot have financial gain for serving on the board. They conduct business as outlined in the Articles of Incorporation and Bylaws. In the state of Colorado HOAs should have a certificate of good standing from the Colorado Secretary of State (www.sos.state.co.us/biz/BusinessEntityCriteria.do).

C. Are there any fees associated with HOAs and CICs?

There are fees associated with HOAs and CICs. Your real estate broker will confirm what the fees include. Make sure you understand and can afford these fees.

D. What information should you receive regarding the HOA and who should provide it to you?

When buying in an HOA, at a minimum you should get the following from your real estate broker. **Read them!**

1. Articles of Incorporation
2. Bylaws
3. Restrictive covenants
(the rules to live there, i.e., pets, visitors, exterior design, parking, etc.)
4. Financial statements illustrating at least 10 percent of the HOA fees goes to a reserve account
5. Lists of any special assessments (a lien filed against your property for repairs to the complex not covered by the operating budget; usually occur because of major repair items) being considered and any outstanding legal issues
6. Number of members late on HOA payments – provides an indication of how many potential foreclosures
7. Number of owners versus renters (condos and townhomes) – you want at least 51 percent owners
8. Maintenance schedule and especially those projects planned for in the upcoming year. See if there is sufficient money in the reserve account to pay for these items.
9. Six months of the past HOA board minutes for issues that might be of importance to you as a new homeowner (lawsuits, engineering issues, contractor issues, physical problems, etc.)
10. Annual meeting minutes

E. Why you should get involved

As a member, you want to keep abreast of how money is spent, make sure property is maintained and the HOA operates as a business, has a maintenance plan, follows their yearly budget, and listens to concerned homeowners.

A property management company usually maintains HOAs and CICs. Make sure the property management company is bonded and insured; employees have CBI and FBI background checks; and they report monthly financial status including a list of checks written, who they were written to, and for what purpose (in addition to budget report).

VII. Purchasing a home

A. Submit a contract to purchase

When a home is of interest to you, the real estate broker will provide comparable analysis of similar properties that have sold in the recent past (usually three to six months) as these will likely be properties that appraisers will use for comparison in their analysis.

B. Earnest money

All offers must be accompanied by earnest money. This is an illustration of your good faith and shows you are serious about buying the home.

1. Who sets the amount?

The amount of the earnest money is set by the seller but is a negotiable item.

2. First time homebuyers and money back at closing

Under the majority of first time homebuyer programs, you cannot receive money back at closing. So, it is to your advantage to have your real estate broker negotiate the lowest possible earnest money check (\$500-\$1,000). If the seller's agent accepts the offer, this earnest money must be deposited and held in escrow until the closing, at which time you will receive credit for this contribution.

C. Submit an offer

When you submit the offer, your real estate broker attaches a lender letter that states you have been prequalified for a loan.

1. The real estate broker, in conjunction with the lender, will develop an offer on the standard Colorado Real Estate Commission-approved Contract to Buy and Sell Real Estate.

2. Per the Buyer Agency Agreement (the contract that hired the real estate broker to work for you), the price of the offer must be acceptable to you. The real estate broker should review this contract paragraph by paragraph with you to assure that you understand.

D. How to take title

When more than one person is purchasing a home, the borrower(s) must choose how to take title to the property.

1. Joint tenants

If one person dies, the house ownership goes to the surviving person upon proof of a death certificate.

2. Tenants in common

If one person dies, their portion of the ownership goes to their estate.

3. Severalty

One person takes ownership to the property.

E. Purchase contract elements

The first page of the offer is a table that lists items that must be completed and dates that must occur before you officially own the home. Some of these will be nonapplicable, but many will apply.

1. Forfeiting your earnest money

It is very important all of the items are completed by the date listed on the contract. Otherwise, your real estate broker should prepare an Amend/Extend for the Contract to Purchase to extend the dates. If a date passes, and that item has not been successfully completed and you want to cancel the contract, you will lose your earnest money deposit.

2. Acceptable reasons for cancelling the contract and recovering your earnest money

If the following contingencies exist, your earnest money will be refunded:

- a. The seller cannot illustrate that you will have clear title.
- b. You don't approve the CIC documents.
- c. The property does not meet inspection expectations.
- d. You and the seller cannot reach an agreement about repairs to the property prior to closing.
- e. The house does not appraise for at least the purchase price.
- f. Your financing is not approved.

3. Important dates and deadlines

a. Title review and CIC review

You want to be assured you can take clear title to the property and there are no major HOA issues.

b. Inspection

The house is inspected and you want to proceed with the purchase (an inspection usually costs \$250-\$350 at the time of inspection).

c. Appraisal

After inspection, you authorize the lender to order the appraisal (\$400-\$450 due at the time of request for appraisal).

F. Title

1. Title commitment

Shortly after you have an accepted offer, you will receive a title commitment from the title company in the mail. It is very important to read this document. The purpose of this commitment is to illustrate:

a. Legal owner

b. Legal description of property (survey description, not address)

c. Exceptions to title commitment

This page explains that the title company is insuring everything **except** the items listed on this page. They will not insure utility easement, water rights, mineral/gas rights, HOA's, etc.

d. Requirements that must be satisfied prior to closing so that the buyer can take clean or clear title

e. Homeowners association legal documents (because the HOA runs with the land)

f. Certificate of Taxes

G. Home inspection

This is an opportunity for you to hire a professional home inspector to review the condition of the property. You want the home inspector to work for you and to find everything that is possibly wrong or any issues with the property.

1. Selecting a home inspector

Inspectors are not required to be licensed in Colorado. It is very important to find an inspector who is reputable and knowledgeable. Often, the real estate broker will give a list of several inspectors they have had good experience with. It is very unethical for a real estate broker to pay for or insist you use a certain inspector. You can talk to friends and family who have recently used a home inspector. You can also find a local home inspector that is registered with one of the National Trade Organizations – National Association of Home Inspectors (www.nahi.org) and/or the American Society of Home Inspectors (www.ashi.org).

2. The cost and who pays for it

The cost of a home inspection is approximately \$300-\$400. You, the borrower, pay for this inspection the day the inspector conducts the service.

3. Other important considerations involving a home inspection

According to the real estate contract, you are responsible for everyone who comes on the property on your behalf. So, it is extremely important that you confirm the inspector is bonded and insured. If they accidentally damage the property during the inspection, their insurance will pay, not you.

a. You should be at the entire inspection and walk the property with the inspector. This will take two to three hours. This is a good time to ask questions about the home and find out how things work. Remember, if this is an existing home, it is not going to come equipped with manuals taped to all appliances and systems. Ask the inspector:

- How do you shut off the water?
- How do you shut off the gas?
- How do you drain the sprinkler system?
- How do you change the furnace filter?

b. Bank-owned properties

Be aware that if you are buying a bank-owned or foreclosed property, it may be your responsibility to pay to have the water turned on and the house re-winterized. This can cost an additional \$300-\$400. If you find items in the inspection it is unlikely that the owner will repair them, but it never hurts to ask (except HUD properties – they do not fix anything).

c. Mold, radon, and methamphetamine testing

The inspector can give guidance on the need for mold and radon testing. If the buyer chooses to have these items tested, it will cost an additional fee. With meth, the law states if the seller knew the property was a meth lab and they did not mitigate it, they must disclose the condition. If additional testing is needed, consult with your inspector.

d. Further negotiations based on findings

The inspector should provide a written report that you can use to negotiate the contract such as lowering the price, repair, or replacement of items with the seller, if applicable. Upon receipt of the inspection, you and your agent will choose one of the following:

- a. Terminate the purchase contract
- b. Request certain items be repaired by the seller
- c. Request a price adjustment to the home so that you can address inspection items after the purchase.
- d. When utilizing the first time homebuyer down payment programs, typically any health or safety issues must be repaired prior to closing. These can include plumbing, electrical, roof, HVAC, and cracked and peeling paint on properties build prior to 1978.

H. Survey

You have the right to survey the property. This is done by a professional surveying company and can add \$1,000-\$3,000 to closing costs. Rather, what occurs most often is you are provided an Improvement Location Certificate (ILC). This is the document that illustrates the boundaries of the property based on the county records. The cost of an ILC is about \$100-\$200. You should know that an ILC does not specify the legal boundaries of the property; only a survey does that.

I. Appraisal

The lender will require an appraisal on the property to determine fair market value at the time of contract. You should not proceed with an appraisal until after all inspection items have been resolved. Once you are sure you want to proceed with the purchase, your lender may collect an appraisal fee (around \$400) prior to contracting the service. Lenders hire independent contractors to perform appraisals. You will be informed when the appraisal is completed. The appraiser will review similar properties that have sold in the neighborhood in the recent past (usually last three to six months). The property should appraise for the purchase price, or (1) the deal can be canceled and you can receive your earnest money back (providing the appraisal date has not passed), or (2) the price can be renegotiated if all parties agree.

J. Real estate property disclosures and attachments to the contract

Several disclosures can be provided with the sale of each property:

1. Seller's Property Disclosure

The seller provides a checklist of all items in the house and indicates if they work, don't work, or don't know. **This is not a property inspection.** Colorado Real Estate Law mandates that a seller tell the truth about the condition of a property and they cannot cover something up without telling a buyer. On bank-owned foreclosed property or property that was used as rentals, the seller will not provide this disclosure.

2. Square Footage Disclosure

This disclosure indicates the source of the square footage estimate of the home.

3. Lead-Based Paint Disclosure

This disclosure is required for all properties built prior to 1978. Gives you the right to inspect for LBP and discloses known lead issues, reports, or mitigation from the seller.

4. Mold Disclosure

The format is different from company to company and states the buyer is responsible for determining if there is any mold in the home.

5. Bank addendums

These will be added on foreclosed properties and should be read carefully and understood by the buyer.

K. Home warranty

This option can be offered by the seller, builder, your real estate broker, or you can purchase your own. It is a warranty that covers the appliances, roof, and systems. Because each warranty plan may be different, you should read the policy and be aware of what the warranty covers, the process to have the warranty repair or replace certain items, etc.

VIII. New construction

If you are considering the purchase of a home from a builder, consider these suggestions.

A. Take your buyer's agent to the initial visit

B. Research the builder reputation

1. Check the Better Business Bureau for any reports.
2. Read and understand the soils report.
3. Make sure the grading and drainage of the site is appropriate.
4. Research surrounding zoning to determine future development.
5. Understand the builder's warranty and workmanship guarantee – Read it!
6. Ask how long the building process will take.
7. Determine the best way to communicate with the builder.
8. Ask about the energy efficiency of the home. Visit the ENERGY STAR™ website to understand what the rating means.
9. Identify any factors that could modify the agreed-upon sales price.
10. Ask if there will be builder support after the purchase.

C. Review the covenants and HOA documents

D. Property taxes

Determine if taxes are based on a full tax assessment or land only. Has the property been reassessed now that there is a home onsite? If taxes have not been reassessed, be prepared for a significant increase in your property taxes once fully assessed.

E. Request your closing once all items on the final punch list are completed.

F. Consider an attorney's review of contract — the cost is usually less than a \$200.

G. Hire a third-party inspector before the drywall is installed and another before the final walk through with the builder. The inspection report can help create a punch list for final closeout/walk-through.

H. Get receipts and physically verify all upgrades have been included.

section 4

post purchase

I. Moving day - taking possession

A. What are some of the first things you should do before moving into your new home?

1. Change the locks

For security and privacy purposes, you should change the locks to your new home. You don't know who has a duplicate key and you do not want unexpected guests in your home.

2. Recode garage door opener/keypad

You don't know who has access to the code or has a duplicate garage door opener. Some garage door openers are programmed, not coded, so you may not be able to recode it. You might want to contact the manufacturer if your opener is programmable.

3. Change address at post office (or get the key)

You can change your address at the local post office by filling out paperwork, or via the internet at www.usps.com.

Multifamily units (and some single family) have centralized mail delivery locations. Verify with the local post office what you need to get your mail delivery started at your new address.

B. Moving company

1. Considerations when searching for a moving company

Research the moving company to be sure they are reputable and registered with the Better Business Bureau (BBB). Understand the fee structure (i.e. hourly, flat rate, number of movers, etc.) as this will vary based upon the level of service you choose. Moving companies should have insurance policies to protect your property while they are providing a service. You want to ensure you understand their insurance policy and that you have enough protection in case something is lost, broken, or stolen.

2. Other things to consider when moving

Remember to consider the weather report; keep an eye out for rain/snow. Some moving companies will not deliver your belongings if there are weather concerns. If you decide not to utilize a moving company, be sure you are rewarding your friends with something (i.e. food, gas money, beverages).

C. Transferring or setting up utilities

Even though the title company transfers some utilities, like water, you will want to follow up with all utility companies to be sure it was done accurately. This will alleviate some frustrations that occur as a new homeowner.

II. Homeowner financial management

A. Developing a spending plan as a homeowner

Now that you are a homeowner, you will need to revisit your spending plan. You created a spending plan to understand what your buying power is, but now you need to consider the future.

1. Budgeting for unexpected expenses and repairs

How much do you think you need to save annually for housing maintenance and repair? Remember it is now your responsibility; no more landlords. We suggest you should save about 1 percent of your home's value per year for home maintenance and repair such as gutters, furnace, roof, water heater, etc. You may not use the whole amount every year, but it will prepare you for larger purchases later on. Research what the high ticket items cost, and create a savings plan to cover them.

2. Budgeting for future purchases

In addition to repairs, you might need new or newer things to complete your home. Avoid large purchases on credit (i.e., cars, furniture, window coverings). Be sure you are comfortable with all housing expenses, mortgage payment, utilities, HOA, etc., before you buy things and take on new debt!

Understand that store credit cards (Furniture Row, Home Depot, Best Buy, etc.) that often allow you to purchase on credit without payments for an extended time and no interest have high penalties if you do not pay them off prior to the due date.

Example

You purchase furniture from Company A, financing the purchase on the store's credit card for \$1,500.00. You have one year to repay, but do not owe monthly payments. The \$1,500 does not accumulate interest unless you do not pay the total amount prior to the one-year mark. If your payment is due by August 1 but you only pay a portion, the interest from the entire year's balance is added on. Sometimes, this can add almost as much as the original balance. **Be careful!**

3. Invest in ENERGY STAR™ products

ENERGY STAR products cut down on the amount of energy used to operate (Examples: light bulbs, dishwashers, washer and dryer, toilets, windows). Sometimes there are rebates or tax incentives for buying these products; do the research. Also consider an energy efficiency assessment of your house.

4. Credit

a. Maintain your credit

Now that you are a homeowner, you still want to keep and maintain your good credit. Continue to pay your bills on time. Limit the amount of new credit you obtain and monitor your credit report quarterly through free resources.

b. New credit solicitation

Be cautious of solicitation for new credit and other services you did not ask for or need. As a new homeowner, you will receive a plethora of solicitations for new credit, life/mortgage insurance, and other purchasing opportunities. Only buy what you need and disregard any offers you did not seek out on your own.

c. Credit card applications and contracts

Read the fine print on credit card applications and contracts for any services you request. Understand all the terms of the contract and/or credit cards; what the introductory interest rate is, when it will increase, and what the penalties are if you miss a payment or are over the limit.

B. Making your mortgage payment

1. Mortgage payments are due on the first of the month

Even though you have a grace period until the 15th, you want to do your best to make your payment on time.

- a. You will receive a coupon book or monthly statement to include with your check.
- b. If you mail your check, allow for mailing time. Always write your loan number on the check. Take your check to the post office; do not leave in your mailbox.

2. ACH options (Automated Clearing House)

Most lenders will allow you to set up an automatic monthly payment to be withdrawn from your checking or savings account. Take advantage of this service; it is free, you won't miss your mortgage payment, and you will save the cost of a stamp each month. Remember to have sufficient funds in the account and to verify the payment was withdrawn every month.

3. Prepaying your mortgage

a. Penalties

Know whether your mortgage has a prepayment penalty. Remember, the Note and Truth-in-Lending Statement will spell out the loan's terms and conditions, including any prepayment penalties.

b. Benefits

- One extra payment a year can reduce your 30-year mortgage to a 22-year mortgage
- Reduces interest payments
- Provides a higher likelihood of bringing your principal balance down. It may also allow for more equity when you sell your home
- Work with your lender to explore the potential benefit of making extra payments (an amortization schedule)

4. Biweekly payment options

The biweekly mortgage payment option usually requires you to set up a specific account for half your mortgage payment to be withdrawn two times a month. With this option, you will make 26.5 payments a year (or one full extra payment a year). Verify that indeed this is optional and it is not written on the Note and Deed of Trust. There might be fees involved when you set up a biweekly payment with the servicer.

By making one extra payment a year, you reduce the interest paid over the life of the loan. However, it might be difficult to budget that amount dependent on your other bills.

C. Late payments

All mortgage payments are due on the first of every month. If your payment is received after the 15th day of the month, you will be assessed a late charge. While your mortgage payment will not be reported late at this time, you might receive a collection call.

1. Late fees

There is typically a late fee equal to 4 to 5 percent of the monthly payment, if your payment is not received by the 15th of the month. You can find your exact late fee percentage on the Note.

2. Payment denial

Lenders do not have to accept your payment after the 15th unless your late charge is included. The lender may take the payment, but not post it to your account until total amount due is paid. Lenders also do not have to accept any payments once you reach 90 days past due, unless you pay the total arrearages (including fees and penalties).

3. When are late payments reported to the credit bureau?

Remember, all mortgage payments are due on the first of the month; therefore, they are considered late on the second. The mortgage company/servicer is lenient since they allow you 15 days to make a payment without late charges, and then another 15 days without reporting your mortgage late to the credit bureaus. All payments are reported late after 30 days. It will affect your credit score. For example, if you don't make your June 1 payment, it will be reported as late to the credit bureau(s) on July 1.

D. Secondary market

You may make payments to a lender other than the lender who closed your loan, because the mortgage company that you closed the loan with might not be the investor. It is not unusual for an investor to contract with a third-party servicing company. When this is the case, you will be notified who your servicing company is and when to begin making payments to that servicer.

1. If your loan is sold in the secondary market to another investor/servicer, you will receive letters from your existing investor/servicer and the new investor/servicer alerting you to the change.
2. Once you receive a "goodbye" letter from your current investor/servicer, contact them to verify your loan has actually been sold.
3. Remember that your loan terms do not change due to this activity.

III. Reasons your payments can change

A. Escrow account analysis

Your escrow is a breakdown of the annual cost for homeowner's insurance, property taxes, and mortgage insurance.

1. Property taxes and hazard insurance premiums are reviewed annually and your monthly payment will be adjusted based on the outcome of these annual reviews. Each county assesses property taxes differently and determines the amount of taxes due.
2. Homeowner insurance premiums can change based upon property values or any claims you might have filed. The servicer has no control over these changes.
3. Changes to property taxes and hazard insurance premiums usually result in a higher mortgage payment.

B. Changes in interest rates

1. ARM adjustments

- a. Varies from loan to loan

Depending on the term of your loan, the adjustment could occur every three or six months or every one, three, five, or ten years.

- b. Be aware and prepare

Review the terms of your ARM loan carefully so you will be aware of the date your first adjustment will occur and the frequency thereafter. This information is described on your Promissory Note. Prepare for the increases in your house payment by reviewing your household budget.

2. Temporary buydown adjustments

- a. This is a way to reduce temporarily your interest rate. If you have the temporary buydown, the interest rate usually increases annually for a set number of years until it remains fixed for the remainder of the loan term. Most commonly known is a "3-to-1" buydown.
- b. Review the buydown schedule so you will be ready for the increase in your payments. And remember to review your budget so you are prepared for the increased housing payment.

C. Tax adjustments on new construction

On new construction, your lender may have escrowed on land value only, and did not consider the value of the building. Therefore, your payment will increase when the county assesses the full property value.

A conservative method of calculating property taxes for new construction or remodeled homes should be estimated by calculating 1 percent of the appraised value (of both land and completed structure) and then divide by 12 for the monthly rate. Expect an increase in your tax escrow payment when the county does a final assessment on the taxes for the completed property.

IV. Don't become a target

A. Avoid solicitation for new credit

Use the "opt out" option. Call 1.888.567.8688 and follow the instructions to activate this option.

B. Avoid identity theft

1. Invest in a shredder

Dispose of unsolicited credit or any documents showing personal and private information or that has the potential of being completed on your behalf. This will prevent unwelcome individuals from gaining access to your personal information.

2. Safer mailing options

Avoid using your mailbox as an outgoing mail drop. As an alternative, consider using a USPS drop-box, your office, etc.

3. Protect your personal/private information

Be cautious of who you give your Social Security number to; ask if an alternative form of identification can be used.

C. Predatory practices

These are defined as activities that don't have your best interest in mind. The predator is driven by their own financial gain. For example: Joe Smith knocks on your door selling new windows, and claims that you will have brand new windows installed by the end of the week; all you need to do is pay upfront, in-full. You never see Joe Smith, the new windows, or your money again.

1. What are they?

Predatory practices are usually unsolicited goods or services offered by door-to-door salespersons, lenders, phone calls, mail, etc. Remember to think, do I need this? If you do, you should do your own research and seek out the product or service from a reputable source. Also remember that if it sounds too good to be true, it probably is!

2. Who they target

Predators target people who they view as an easy target, i.e., anybody, including you and me!

3. How to identify a potential predator

They will ask for/demand upfront payment; personal/private information; or they may be someone contacting you for something you did not ask for, need, or want.

4. What to do if you suspect you are a victim

Contact the Civil Rights Division, the Attorney General's Office, and the Federal Trade Commission.

V. Home equity loans

Home equity loans are like using your home as an ATM. For example, your home is now valued at \$150,000 and you owe \$100,000. This means you have \$50,000 of equity in your home. A home equity loan will give you access to cash by using your home as a collateral for this loan. However, by doing this you will eliminate any equity/savings you had in your property. A home equity loan may have closing fees. Weigh the pros and cons carefully before forfeiting your equity.

A. Understanding true equity

True equity is the amount your home is worth after paying off the mortgage and paying the costs for selling home (i.e., real estate agent's commissions or buyer's closing fees).

1. Passive equity vs. active equity

Passive equity is the physical attributes, such as property maintenance, landscaping, updates, and the neighborhood. These can add or subtract equity to your home's value. Active equity is actually making your mortgage payments. Each time you make a payment, a portion goes toward the principal balance, bringing down the amount you owe and increasing the amount of equity.

B. 100 to 150 percent home equity loans

These are originated for the full home value or more, based on the concept that the property value will appreciate or increase quickly. If it does not, then your loan/home is "underwater" or "upside down", meaning you owe more than the property is worth.

C. Alternatives to home equity loans

Determine the need for a home equity loan. There may be alternatives to using your equity for home maintenance, college tuition, landscaping, vacation, buying large ticket items, and/or paying off other debts. Paying off an unsecured debt (credit card) by using a home equity loan is now securing the debt against your home. Be cautious. If your loan goes into default due to financial difficulties, your mortgage servicers may be unable to offer work out options under these circumstances.

1. Review your spending plan (wants vs. needs)

Look for other ways to save money to pay for the expenses; consider an additional part-time/temporary job.

2. Community grants or other funding sources

There may be programs available in your community for emergency repairs; do your research. Research student, parent loans, grants, and/or scholarships for college education.

VI. Refinancing

Before refinancing, consider the following:

- Determine the monthly savings on your mortgage payment under the new loan terms.
- Determine the cost of the refinance.
- How long do you plan to stay in the home?

A. When is refinancing a good option?

1. Evaluate the cost benefit of refinancing to lower your interest rate.

The cost benefit of refinancing is based on the amount you will save monthly versus the amount you paid in closing costs. You will need to determine how long it will take to recoup the cost.

Example

The following is a scenario of the cost benefit analysis of refinancing to lower your interest rate.

Original loan amount: \$105,000
Original interest rate: **7.5 percent**
Repayment period (amortization): 30 years
Original monthly payment: **\$734.20** (principal and interest only)
Total interest paid over 30 years: \$159,312.00

Current payoff: \$100,000

New loan amount: \$103,000 (new loan of \$100,000 + \$3,000 in closing costs)
New interest rate: **6 percent**
Repayment period (amortization): 30 years.
New monthly payment: **\$617.50** (principal and interest only)
Total interest paid over 30 years: \$119,300.00
Monthly savings: **\$116.64**

Now, to determine how long it will take to break even, or recoup the \$3,000 of equity you spent to refinance:

$\$3,000$ (cost to refinance) divided by $\$116.64$ (monthly savings due to refinance)=
25.7 months (or 2 years, 3 months).

This means that if you were to refinance with these terms, you would have to continue to live in the home (without any further use of the equity) for over two years before you break even on the money you used. To have more equity, you would need to stay even longer.

2. Evaluate the cost benefit of a refinance to change the term of the mortgage loan.

Example

Changing your repayment period from 30 to 15 years

Original loan amount: \$105,000
Original interest rate: 7.5 percent
Repayment period (amortization): **30 years**
Original monthly payment: \$734.20 (principal and interest only)
Total interest paid in 30 years = **\$159,312.00**

Current payoff: \$100,000

New loan amount: \$103,000 (new loan of \$100,000 + \$3,000 in closing costs)
New interest rate: 6 percent
Repayment period (amortization): **15 years**
New monthly payment: \$869.17 (principal and interest only)
Total interest paid over 15 years: **\$53,450.60**
Monthly savings: \$0.00

Under this scenario your monthly mortgage payment will be higher and you should only do this to save a considerable amount of interest over the life of the loan. Make sure the higher monthly payments are within your budget and do not cause a financial hardship.

- B. Avoid unsolicited offers to refinance your mortgage. If refinancing into an ARM, make sure there is an actual benefit to you.
- C. Avoid refinancing to pay off debt (also known as a cash-out refinance). See alternatives above.
- D. Cash out refinancing takes all the equity in a cash form and may limit workout options if ever in need of foreclosure prevention options.
- E. Reverse equity mortgages

You must be 62 years or older to be eligible. They are an opportunity to access your investment today, rather than saving it for later. Borrowers considering a reverse equity mortgage must attend a housing counseling session to fully understand how these reverse equity mortgages work.

VII. Maintaining your home and protecting your investment

A. Get to know your home

Make sure you know all the quirks about your home to make sure you and others stay safe. Remember the importance of attending the inspection to ask questions and benefit from the knowledge the inspector can share with you about your future home.

B. Home safety

- Install or change batteries in the smoke detectors when you move in. A good rule of thumb is to change the batteries when you change the clocks for Daylight Savings.
- Fire and police departments offer a home safety walk-through at no cost.
- Make sure your carbon monoxide detectors are placed appropriately; the fire department can help with this.
- Have fire extinguishers in the kitchen and garage, and make sure you know how to operate them.
- Lock your doors and windows.
- Identify potential vulnerable doors and windows that may be easily broken.
- Consider window guards or stronger doors.
- Purchase a home security system (this will also provide a discount on your homeowners insurance).
- Keep a list of emergency and non-emergency numbers easily accessible (i.e., fire, police (non-emergency), doctor, poison control, animal control, etc.)
- Create a family emergency evacuation plan.
- Consider egress windows when there are sleeping areas in the basement.

C. Energy conservation tips

- Installing a programmable thermostat for your heating and cooling units will allow you to only use the system while you are home, so that you do not use more energy than you need. You can program the thermostat to a different temperature while you are away.
- Turn off lights when exiting the room and appliances when not in use for energy conservation.
- Keep in mind that buying and using ENERGY STAR™ products conserves energy, as they do not require as much to operate. This includes installing compact fluorescent lights (the twisty-looking ones) in every room.
- When electronics are not in use, unplug the unit. Even when the electronic is not in use, it still draws electricity.
- Research what energy conservation products and ideas your utility company offers (sometimes they even provide rebates).

D. Preventative maintenance

- Clean out the gutters. This helps keep water from overflowing, and gutters from falling off and causing other damage.
- Drain spout extenders move water away from the house to prevent water damage to the foundation.
- Keep your lawn mowed to maintain a good curb appeal; be a good neighbor, and avoid city or county fines.
- Try looking at your home, exterior and interior, as if it is the first time seeing it, so that you have a fresh perspective. This could aid in discovering new things that need maintenance.
- In the fall, drain hoses, turn off the exterior water, blow out sprinklers, and winterize external water sources (including swamp coolers).
- Keep bushes and trees trimmed, as they can cause damage to the property.
- It is time to paint the exterior when you see paint chipping or peeling. Any exposed siding or wood can rot.

E. Remodeling and major repairs

- These help maintain and/or improve your property value. Be realistic that your improvements match the look and feel of your neighborhood. Avoid over-improvements.
- Always get several estimates, and shop locally.
- Get references and/or check the BBB website.

F. Investing in your neighborhood

- Join commissions, boards, or associations so that you will have a voice in changes.
- Communicate with neighbors often.
- Identify problems with the neighborhood (such as uncut grass, unshoveled walks, vacant homes, etc.). Help where needed, or report any violations (after talking with the neighbor).

G. Asset building

Your home is the biggest investment and a considerable financial asset. Over time, the value of your home may grow as you continue to live in it, keep up with the maintenance, and make your mortgage payments every month. As you make payments and your loan balance decreases, home maintenance will also assist in preserving the value of your home and home remodeling may add value to your home. Even if home values go down, you should consider your home as a long term investment since if you stay in your home long enough, it is likely that the home value will go up again.

H. Keeping records

Keeping copies of documents in a "Home Documents" folder allows for easy access when you need them. Keep in mind these documents are very important; therefore, you may want to keep them in a fireproof safe, at the bank, or in other trusted locations.

- Receipts for work done on the home
- Closing documents
- Property insurance info
- Property description
- Any user manuals for appliances, electronics, and other household items

I. Taxes and insurance

Make sure payments are current. Even if these are escrowed, you want to double check they are being paid. You can call the mortgage company/servicer, county, or insurance company. This information is also disclosed on your mortgage statement.

J. Protecting your equity

Building equity is a true commitment from you as a homeowner. Protect this equity by fully evaluating the cost benefit to taking the equity from your home and understand the implications of doing so. Remember that this is supposed to be your long term investment and will be the largest purchase you will ever make.

VIII. Reasons of foreclosure

A. Delinquent mortgage payment (see Deed of Trust)

Missing your mortgage payment is not always controllable (i.e., death, sickness, divorce, loss of job or income, and other life events.) Therefore, it is important to contact your lender/servicer right away if such events occur.

B. Delinquent HOA payments (See Declaration of Covenants)

You signed an agreement (Declaration of Covenants) at closing in which you agree that if you do not pay your HOA dues, the HOA can file a lien and foreclose on your property.

C. Unpaid property taxes

Terms of the Deed of Trust may contain other reasons for acceleration (foreclosure) such as unpaid property taxes, transfer of title from one person to another, failure to occupy and/or maintain the property, etc.

IX. What to do if you cannot make your house payment

A. Call your mortgage lender/servicer

1. Communicate with your mortgage servicer that you are having problems.
2. Try to make arrangements with your mortgage servicer to find a solution.

3. Call a HUD-approved housing counselor for additional help. They can review your situation and budget, and identify potential options. Additionally, they can help educate you on the foreclosure process, and help you communicate with your mortgage lender/servicer. You could also reach a HUD-approved agency by calling the Colorado Foreclosure Prevention Hotline (877.601.4673).

B. Alternatives to foreclosure

1. Curing the loan (reinstatement)

Curing a loan means bringing it current by paying, all at once and in certified funds, all amounts currently due including the past mortgage payments, late fees, and all foreclosure costs including any legal fees. Lenders are rarely permitted to reject such full payments.

a. Lender not accepting partial payments

If your lender is not accepting partial payment, **you should save the money** you would pay on the mortgage, so you'll have it available to pay them later. Remember, paying your mortgage first is the top priority.

b. Intent to Cure Form

In Colorado, your right to cure the loan ends **15 calendar days** before the public auction of your property, unless you file an Intent to Cure Form with the Public Trustee's office for your county. By filing this form, you should receive the cure figures within one week before the sale. The Public Trustee's Office must receive a cashier's check for the total figure before noon, one day prior to the public auction. You can still try to cure with the attorneys for the mortgage lender/servicer any time before the foreclosure sale date.

2. Forbearance agreement

Your lender/servicer may consider a repayment plan based on your financial situation. The lender/servicer may even provide for a temporary reduction or suspension of your payments. You may qualify for this if you have recently lost your job/source of income, or if you had an unexpected increase in expenses. You must furnish information/documentation as determined by your lender/servicer to show that you will definitely be able to meet the requirements of the agreed plan by a specific date.

3. Repayment plan

Although lenders accept full payments of all arrears, including late charges, all mortgage payments due, and any accrued foreclosure costs and fees, **they have no obligation to accept your payment of any lesser amount.** Therefore, a plan for you to catch up over a period of months is an area for negotiations between you and the lender/servicer.

a. Reasons for denial

Your lender/servicer is less likely to agree to a repayment plan if you:

- Have broken previous repayment agreements
- Have been chronically late with your payments
- Have just recently closed on the loan
- Have too low an income to even make the new agreed payment based on the payment plan
- Have none of the back payments saved up
- Owe more than three payments
- Are not able to catch up within four to six months

b. Housing counselor

Your housing counselor can help you try to negotiate a repayment plan that you will be able to follow and afford. If three payments or less are due, lenders will often accept a proposal to pay 25 to 50 percent more than your normal payment each month until you are current. If you have saved money and are able to make a larger first payment, this will strengthen your negotiating power.

4. Loan modification

This may be an option to help you catch up by adding the missed payments into the loan. The loan may or may not be re-amortized to a longer term (normally 30 years). The interest may also be changed, either temporarily or for the duration of the loan. You may qualify if you have recovered from a financial problem and can show that you can make the new payment.

5. Refinance

This means getting a new loan to replace your existing loan. If you have a high interest rate, refinancing may be an excellent option to consider **before** you get behind on your mortgage. If you're already behind, it will be much more difficult to qualify for a new loan with a lower interest rate because of your damaged credit. However, you may find a lender willing to refinance if you have substantial equity in your home. Types of refinancing include:

a. Traditional refinancing

Using any lender who considers you an acceptable credit risk.

Note: This may be a high interest rate.

b. FHA "streamline" refinancing

Is done to reduce your current interest rate. This is only available for certain FHA-insured loans. A qualifying criterion is that you must have made every mortgage payment on time for the past year.

6. Selling the home

Contact one or more real estate brokers to discuss putting your home on the market and to determine its current value (market analysis). Determine if there is sufficient value to pursue selling your home (there are fees involved in selling a home). Your lender/servicer may be willing to delay foreclosure if you have a closing date, and occasionally, an accepted sales contract on the property.

Even if you're trying to keep your home and you don't want to put it on the market right away, it would be an excellent idea to identify a trusted real estate broker that can list your house for sale if your circumstances change (i.e., unable to cure the loan).

7. Renting the home

This may require mortgage servicer's approval.

8. Deed-in-lieu-of-foreclosure

This is an agreement between the borrower and the lender whereby the property is transferred to the lender to fully satisfy the debt. The lender may be willing to accept a small loss through this arrangement in exchange for avoiding the expense, time, and trouble of foreclosing. The borrower suffers less credit damage than if foreclosure had occurred, and is relieved of the risk of a deficiency judgment. Some lenders will consider this option only when convinced that the borrower has suffered severe hardship.

9. Cash for keys

This is an option for borrowers for whom eviction is eminent. You hand the keys over to the mortgage company/servicer and leave the house in "broom clean" condition. The mortgage company/servicer pays you a fee to leave, rather than having to pay the cost of an eviction.

10. Reverse mortgage

You may qualify for a reverse mortgage if:

- You are a senior homeowner over 62 years of age.
- You reside in the home most of the year.
- You have some equity left in your property.

This is similar to a refinance in that it would bring your mortgage payments current and pay off the loan. The best part is that you do not make payments. And further, depending on the amount of equity you have, you may get money back in various forms like a monthly payment, a line of credit, a lump sum, or a combination of the above.

11. Short sale

A short sale is another way a homeowner may be able to sell a home even though the proceeds of the sale will not be sufficient to pay off the loan balance and cover real estate commissions, etc. The Veteran Administration (VA), HUD, a private mortgage company, or a conventional lender may agree to accept a lower payoff because of the reduced market value. An experienced real estate broker could assist you with this process.

12. Bankruptcy

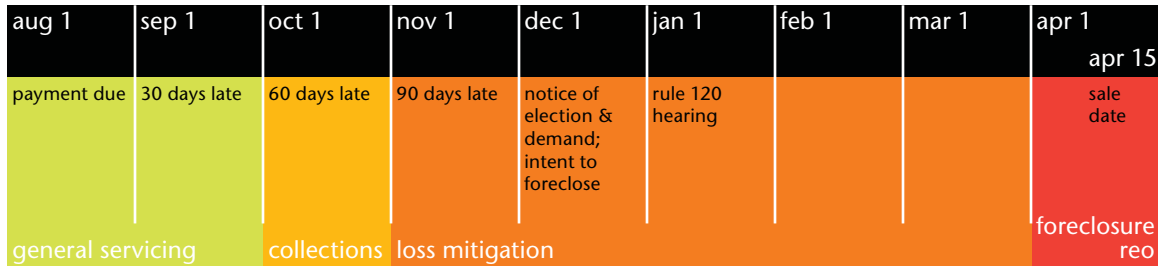
Chapter 7 or 13 bankruptcy could stall foreclosure action. A Chapter 13 filed before the foreclosure sale may allow you to keep your home. Consult with one or more bankruptcy attorneys to determine if bankruptcy would be appropriate for you. Many bankruptcy attorneys will discuss your situation at no charge for an initial consultation. Note: Statistics show that 75 percent of most bankruptcies fail within the first year because the family hasn't addressed the financial issues in the first place.

C. Foreclosure

1. Nonjudicial foreclosure (most common in Colorado)

- a. By Public Trustee covered by Deed of Trust
- b. Explanation of timeline/process

New Foreclosure Process
(January 1, 2008)



Preforeclosure is the period when the borrower is in default of their loan, usually for lack of payments for more than 30 days. During this time, the mortgage company and eventually their legal department send warning and Intent to Foreclose letters.

NED – Notice of Election and Demand for sale filed by the mortgage company’s attorney with the County Public Trustee.

Within 20 days after recording the NED, the Public Trustee will send the Combined Notice to the borrower. The notice will tell the borrower that the home is in foreclosure, and identify the foreclosure sale date.

Hearing with the District County Court (not the foreclosure sale) - must be obtained at least 15 days prior to the sale date of the property.

Intent to Cure must be filed no later than 15 days prior to the sale of the home.

Public Sale day – If curing the default, all sums due and owing must be paid via certified funds to the trustee by Noon on the day before the sale.

Must follow Colorado eviction statutes; Cash for Keys should be considered prior to this action.

2. Judicial foreclosure
 - a. By court order (i.e., enforced judgment)
 - b. Sheriff involvement

X. What to do next

With the pride and satisfaction of homeownership, you will also have an array of new responsibilities. However, you must be responsible before you even buy a home. Take what you have learned in this class and determine:

- Are you ready to own a home?
- Is your financial situation strong enough to move forward with the buying process?
- Is your credit, debt, etc., healthy enough to not only buy, but keep your home?

If you feel confident that you are ready for homeownership, then your next step would be to find a lender and get pre-approved for a mortgage loan.

Some suggestions for finding a lender are:

- If you already have a relationship with a financial institution, you can ask about the mortgages, rates, and terms they have to offer.
- You can also ask for referrals from a friend or family member that has had a good experience with a lender in the past.
- CHFA keeps a list of “CHFA Participating Lenders” on their website at www.chfainfo.com

For more information and to reference the material presented in this class you can download this information by going to www.chfainfo.com/homebuyer/Homebuyer_Education_course_schedule.icm.

homebuyer education

spending plan worksheet

instructions

1. Calculate monthly net income in box 1.
2. Calculate monthly expenses using page 2, box 4.
3. Insert and compare income vs. expenses in box 3.

1 monthly net income		3 compare income & expenses	
Net* monthly wages	\$	Net* monthly income (1)	\$
Net monthly wages of others in home	\$	Estimated expenses	
Public assistance/food stamps	\$		
Unemployment/disability	\$		
Child support/alimony	\$		
Social Security/retirement	\$		
Other	\$	Fixed (4a subtotal)	\$
Other	\$	Variable (4b subtotal)	\$
Total monthly net* income	\$	Periodic (2, monthly portion)	\$
<small>* After tax withholding and other deductions</small>			Minus \$
			Balance \$

2 periodic expenses			
These are expenses that come up once or twice a year. Fill in the estimated costs under the month they are due. Taxes, insurance premiums, auto servicing, tires, license, birthdays and holidays, educational costs, vacations, etc. Do not include taxes withheld from your paycheck, but do include estimated tax payments you make to the IRS. Add your total yearly periodic expenses and divide by 12 to determine the monthly portion.			
January	\$	July	\$
February	\$	August	\$
March	\$	September	\$
April	\$	October	\$
May	\$	November	\$
June	\$	December	\$
Subtotal		Subtotal	
\$		\$	
Total periodic expenses _____ = Monthly portion periodic expenses			
12			

homebuyer education

spending plan worksheet


4 monthly expenses

Calculate your monthly expenses by projecting expenditures in these categories and then comparing those projections to what you actually spend. Over the next month, record your expenditures and then re-enter the numbers in the worksheet. After completing the projections use the first page to do a direct comparison of income vs. expenses and make adjustments as needed.

4a. fixed expenses	projected	actual	4b. variable expenses	projected	actual
Housing			Food/beverage		
Rent/mortgage	\$	\$	Groceries	\$	\$
Insurance/taxes	\$	\$	Food/beverage eaten out	\$	\$
Home equity loan(s)	\$	\$	Household operation		
Utilities			Repairs & supplies	\$	\$
Telephone	\$	\$	Furnishings & appliances	\$	\$
Heating	\$	\$	Outside upkeep	\$	\$
Electricity	\$	\$	Transportation		
Trash/garbage	\$	\$	Gas & repairs	\$	\$
Water	\$	\$	Other transportation	\$	\$
Sewer	\$	\$	Savings/investments	\$	\$
Cable	\$	\$	Clothing	\$	\$
Other	\$	\$	Personal/child/elder care	\$	\$
Auto			Charity/gifts special expenses	\$	\$
Loan payment	\$	\$	Medical/dental care	\$	\$
Insurance	\$	\$	Pet food/medical/etc.	\$	\$
Credit card payment(s)	\$	\$	Pocket money	\$	\$
Taxes not withheld	\$	\$	Recreation/entertainment		
Insurance premium(s)			Travel & entertainment	\$	\$
Life insurance	\$	\$	Education/reading	\$	\$
Other	\$	\$		\$	\$
Personal loans	\$	\$		\$	\$
Child support/alimony	\$	\$		\$	\$
	\$	\$		\$	\$
	\$	\$		\$	\$
	\$	\$		\$	\$
	\$	\$		\$	\$
	\$	\$		\$	\$
	\$	\$		\$	\$
	\$	\$		\$	\$
	\$	\$		\$	\$
	\$	\$		\$	\$
(4a) Subtotal	\$	\$	(4b) Subtotal	\$	\$
			Total expenses		

truecredit sample credit report

SAMPLE REPORT
Consumer Credit Report
January 5, 2004



A Consumer Information

	Experian	TransUnion	Equifax
Name:	Sample Report	Sample A. Report	Sample Report
Current Address:	123 Main St, Los Angeles	123 Main Street, Los Angeles	123 Main Street
Previous Address:	000 Garden St, Orange, CA	000 Garden St, Orange, CA	000 Garden St
Current Employer:	TrueLink	TrueLink, Inc.	

B Consumer Statement

I did not make the payment to ABC Electronics because the radio I bought was delivered in defective condition. ABC Electronics would not repair or replace the radio and they would not let me return or exchange the radio. Since the radio was defective and un-useable I refused to pay for it.

C Summary Information

Real Estate Accounts	Experian	TransUnion	Equifax
Count	1	1	1
Balance (\$)	106400	106400	106000
Payment (\$)	1130	1130	1130
Current	1	1	1
Delinquent	0	0	1
Derogatory	0	0	0
Unknown	0	0	0
Revolving Accounts	Experian	TransUnion	Equifax
Count	3	2	2
Balance (\$)	1354	1173	1173




- A** The **CONSUMER INFORMATION** section contains information about your name, addresses, and employment.
- Date reported:** The date the information was first reported to the bureau by your creditors.
 - Last updated:** The date the information was last updated with the bureau by your creditors.
- B** The **CONSUMER STATEMENT** section contains a personal comment that you have submitted to the credit bureaus for inclusion in your report.
- C** The **SUMMARY INFORMATION** section contains a list of your payment history—broken down by account type.
- The five types of accounts are—
- Real Estate:** Primary and secondary mortgages on your home.
 - Revolving:** Accounts comprised of opened terms with varying payments, such as a credit card account.
 - Installment:** Accounts comprised of fixed terms with regular payments, such as a car loan.
 - Other:** Accounts in which the exact category is unknown. This could include 30-day accounts, such as an American Express® account.
 - Collection:** Accounts seriously past due including accounts assigned to an attorney, a collection agency, or a credit grantor's internal collection department.
- The summary includes the following information for each of the five types of accounts—
- Count:** Total number of accounts you have in the given category.
 - Balance:** Total amount you owe on all accounts in the category.
 - Payment:** Total monthly payments you must make on all accounts in the category.
 - Current:** Number of accounts in the category that are properly paid.
 - Delinquent:** Number of accounts in the category for which payments are past due.
 - Derogatory:** Number of accounts in the category that negatively impact your credit rating.
 - Unknown:** Number of accounts in the category whose condition was not reported by the credit bureau.
- This section also summarizes your open accounts, closed accounts, public records, and inquiries—
- Open/Closed Accounts:** A total number of all accounts that are either open or closed.
 - Public Records:** A count of any public records in your name, and the total amount of money involved for all public records. Public records may include judgements against you in civil actions, state or federal tax liens, and/or bankruptcies.
 - Inquiries:** An inquiry appears when an organization such as a bank or retail store requests a copy of your credit report. This number reflects how many inquiries were made on your credit report within the last two years.

D Account History Information

CREDITOR NAME	Experian	TransUnion	Equifax
Account Number:	1234****	1234****	0-1234****
Type:	Real Estate	Real Estate Mortgage	Real Estate
Condition:	Open	Open	Open
Responsibility:	Individual	Individual	Individual
Pay Status:	60 days late	Charge off	30 days late
Date Opened:	06/01/2000	06/2000	06/2000
Date Reported:	01/01/2002	01/2002	01/2002
Balance and Limit:	Balance of \$104,000	Balance of \$104,000	\$104,400
Payment and Terms:	\$1130 for 360 months	\$1130 for 360 months	Payment \$1130
High Balance:	\$106,400	\$106,000	\$106,400
Past Due:	\$0	\$0	\$0

Remarks:

Two Year Payment History:

Experian  Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul
 TransUnion  Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul
 Equifax  Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul

Seven Year Payment History:

	Experian	TransUnion	Equifax
30 Days Late:	1	1	1
60 Days Late:	1	1	0
90 Days Late:	0	1	0

- D** The **ACCOUNT HISTORY INFORMATION** section provides detailed information about all credit accounts in your name. Accounts are divided into five categories—Real Estate, Revolving, Installment, Other, and Collection.
- This section includes the following information for each of the five types of accounts—
- Creditor Name:** The abbreviated name of the person or agency that gave you the credit account, such as a bank, credit card company, or mortgage lender.
 - Account Number:** An identifying number for your account. Typically, this would be a credit card number for a credit card account, or a loan identification number for a mortgage.
 - Type:** The type of account. Some common account types are Real Estate, Automobile, Educational, and Credit Card.
 - Condition:** A detailed description of the account's payment status as of the last reported date.
 - Responsibility:** The role that you play in the account. For example, "Individual" or "Joint."
 - Pay Status:** The state of the account. For example, "Open" or "Closed."
 - Date Opened:** The date when the account was opened.
 - Date Reported:** The last date when any activity in this account was shown. Activities include payments, credit card billings, etc. Very recent activities may not yet show on your account, since it takes time for them to appear in the bureaus' computer system.
 - Balance and Limit:** The amount you presently owe on the account (based on the last reported activity) compared to the maximum amount of credit approved. Very recent activities may not yet have appeared in the bureaus' computer system, so this balance may be a few days out-of-date.
 - Payment and Terms:** The amount and number of monthly payments scheduled.
 - High Balance:** The most you have ever owed on this account. In the case of a credit card, for example, this would be the highest balance you've ever accumulated. For a mortgage, it would be the initial amount of the mortgage, not the current paid-down principal.
 - Past Due:** The amount of payment overdue as of the most recent reported activity. Very recent payments may take a few days to appear on your credit report.
 - Remarks:** If there are any remarks by you or your creditor included in the account information, these remarks will appear here.
 - Two Year Payment History:** At the bottom of the account information, you will see a histogram that graphically illustrates your payment history over the past two years.
 - Seven Year Payment History:** A record of any late payments that have occurred over the past seven years.

truecredit sample credit report

E Public Record Information

BANKRUPTCY	Experian	TransUnion	Equifax
Type:	Chapter 7 Bankruptcy	Chapter 7 Bankruptcy	Chap 7 Bankruptcy
Status:	Filed	Filed	Filed
Date Filed/Reported:	08/1996	08/1996	08/1996
How Filed:	Individual Acct	Individual Account	Individual Acct
Reference #:	10-11-15	10-11-15	10-11-15
Closing Date:	12/15/1996	12/1996	12/15/1996
Court:	County Court	County Court	County Court
Liability:	\$50,000	\$50,000	\$50,000
Exempt Amount:	\$1,000	\$1,200	\$1,000
Asset Amount:	\$15,000	\$15,000	\$15,000
Remarks:			

F Inquiry Information

Creditor Name	Date of Inquiry	Credit Bureau
Bank	01/02/2002	TransUnion
Credit Card Company	12/13/2001	Equifax
Credit Card Company	12/05/2001	Experian
Mortgage Lender	11/19/2001	Experian

G Creditor Information

Creditor Name	Address	Phone Number
Bank Credit Card	123 Main Street, Los Angeles, CA 000000	(800) 000-1234
Bank Credit Card	333 Garden Street, Orange, CA 000000	(800) 000-1234
Auto Lender	000 Main Street, New York, NY 000000	BY MAIL ONLY

E The **PUBLIC RECORD INFORMATION** section lists publicly available information about legal matters affecting your credit. These public records may include judgements against you in civil actions, state or federal tax liens, and/or bankruptcies.

For each public record, some or all of the following information may appear—

- **Type:** The type of record, be it a Tax Lien, Legal Item, Bankruptcy, Wage Item, Judgment, etc.
- **Status:** Current status of the record.
- **Date Filed/Reported:** Date when the record was initially filed or created.
- **How Filed:** The role that you play in the record, usually the record is either filed Individually or Jointly.
- **Reference #:** Identifying number for the record.
- **Closing/Released Date:** Date when the record was closed or the judgement awarded.
- **Court:** The court or legal agency that has jurisdiction over the record.
- **Amount:** Dollar amount of the lien or judgement.
- **Remarks:** If there are any remarks by you or the court included in the public record information, these remarks will appear here.

If the Public Record is a Bankruptcy, three other fields will be visible—

- **Liability:** The amount the court found you to be legally responsible to repay.
- **Exempt Amount:** A dollar amount claimed against you, but an amount in which the court has decided you are not legally responsible.
- **Asset Amount:** The dollar amount of total personal assets used in the court's decision. The Asset Amount can include items of value that can be used to pay debts.

F The **INQUIRY INFORMATION** section lists details about each inquiry that has been made into your credit history. Details include the name of the creditor or potential creditor who made the inquiry and the date when the inquiry was made.

An inquiry appears when an organization such as a bank or retail store requests a copy of your credit report. These requests can only be made if you have a credit granting relationship or are applying for credit with the organization. The requestor's name will appear on your credit report, allowing you to monitor who accessed your credit report.

Please Note: An excessive number of inquiries may adversely affect your creditworthiness. However, inquiries you personally have made via TrueCredit.com are considered to be "soft inquiries" that will not negatively impact your credit standing.

G The **CREDITOR INFORMATION** section lists the names of all creditors and potential creditors that appear on your credit report. The list includes both creditors that appear in your Account History section and creditors that appear in the Inquiry Section. Each creditor's address is listed to the right of the creditor's name. When available, the creditor's phone number is also listed. Creditors without listed numbers must be contacted via the U.S. Postal Service.

section 1

experian sample credit report

appendix

Sample Credit Report Page 1 of 4

Experian
A world of credit

Online Personal Credit Report from Experian for

Experian credit report prepared for
JOHN Q. CONSUMER
Your report number is
15E2048485
Report date:
04/24/2007

Index:

- Experian website home
- Account type history
- Request for your credit history
- Personal information
- Account resolution form feedback
- Outlets

Report number:
You will need your report number to contact Experian online, by phone or by mail.

Index:
Navigate through the sections of your credit report using these links.

Potentially negative items:
Items that creditors may view less favorably. It includes the creditor's name and address, your account number (obscured for security), account status, type and terms of the account and any other information reported to Experian by the creditor. Also includes any bankruptcy, lien and judgment information obtained directly from the courts.

Status:
Indicates the current status of the account.

Public Records
Credit grantors may carefully review the items listed below when they check your credit history. Please note that the account information connected with some public records, such as bankruptcy, also may appear with your credit items listed later in this report.

MAIN COUNTY CLERK
Address: 123 MANTOWN S BUFFALO, NY 10000
Identification Number: 1
Plaintiff: ANY COMMISSIONER O.
Status: Civil claim past.
Status Details: This item was verified and updated in April 2007.

Date Opened: 10/15/2006
Type: Installment
Reported Since: 03/04/2007
Terms: NA
Date of Status: 04/20/07
Monthly Payment: NA
Recent Payment: NA
Credit Limit/Original Amount: \$200
High Balance: NA
Recent Balance: \$0 as of 04/20/07
Recent Payment: \$0

Account History:
60 days as of 12-2006
30 days as of 11-2006

ABCD BANKS
Address: 100 CENTER RD BUFFALO, NY 10000
Account Number: 1000000000
Status: Past due 60 days.

Date Opened: 10/20/06
Type: Installment
Reported Since: 11/20/06
Terms: 12 Months
Date of Status: 04/20/07
Monthly Payment: \$0
Recent Payment: \$0
Credit Limit/Original Amount: \$200
High Balance: NA
Recent Balance: \$0 as of 04/20/07
Recent Payment: \$0

Account History:
60 days as of 12-2006
30 days as of 11-2006

Sample Credit Report Page 2 of 4

MAN COLL AGENCIES
Address: PO BOX 123 ANYTOWN, PA 10000
Account Number: 0123456789
Original Creditor: TELEVIEW CABLE COMM.
Status: Collection account, 90% paid due as of 4-2000.

Date Opened: 01/20/05
Type: Insurance
Reported Since: 04/20/07
Terms: NA
Date of Status: 04/20/07
Monthly Payment: \$0
Recent Payment: \$0
Credit Limit/Original Amount: \$20
High Balance: NA
Recent Balance: \$0 as of 04/20/07
Recent Payment: \$0

Your statement: ITEM DISPUTED BY CONSUMER

Account History:
Collection as of 4-2005

Accounts in Good Standing

AUTOMOBILE AUTO FINANCE
Address: 100 MAIN ST E SMALLTOWN, MD 30001
Account Number: 123456789012
Status: Open/Newer loan.

Date Opened: 01/20/06
Type: Installment
Reported Since: 01/20/06
Terms: 60 Months
Date of Status: 04/20/07
Monthly Payment: \$210
Recent Payment: \$0
Credit Limit/Original Amount: \$10,000
High Balance: NA
Recent Balance: \$0 as of 04/20/07
Recent Payment: \$0

Your statement: Account closed at consumer's request

MAIN FORT LAUDERDALE FL 33009
Address: PO BOX 1234 FORT LAUDERDALE, FL 33009
Account Number: 123456789012
Status: Closed/Newer loan.

Date Opened: 03/19/07
Type: Revolving
Reported Since: 03/19/07
Terms: 1 Month
Date of Status: 08/20/06
Monthly Payment: \$0
Recent Payment: \$0
Credit Limit/Original Amount: NA
High Balance: \$1,028
Recent Balance: \$0 as of 08/20/06
Recent Payment: \$0

Your statement: Account closed at consumer's request

Sample Credit Report Page 3 of 4

Requests for Your Credit History

Requests Viewed By Others
We make your credit history available to your current and prospective creditors and employers as allowed by law. Personal data about you may be made available to companies whose products and services may interest you.

HOMESALE REALTY CO
Address: 2000 S MANDARIN BLVD STE ANYTOWN CA, 91111
Date of Request: 07/16/2006

M & T BANK
Address: PO BOX 100 BUFFALO NY 10000
Date of Request: 02/23/2006

WESTERN FUNDING INC
Address: 181 W MAIN AVE STE 100 INTOWN CA, 10000
Date of Request: 01/25/2006

Requests Viewed Only By You
The section below lists all who have a permissible purpose by law and have requested in the recent past to review your information. You may not have initiated these requests, so you may not recognize each source. We offer information about you to those with a permissible purpose, for example, to:

- other creditors who want to offer you preapproved credit;
- an employer who wishes to extend an offer of employment;
- a potential investor in assessing the risk of a current obligation;
- Experian or other credit reporting agencies to process a report for you;
- your existing creditors to monitor your credit activity (data listed may reflect only the most recent request).

MAIN BANK USA
Address: 1 MAIN CTR A 11 BUFFALO NY 14203
Date of Request: 08/19/2006

MYTOWN BANK
Address: PO BOX 525 MYTOWN DE 10000
Date of Request: 06/20/2006

INTOWN DATA CORPS
Address: 200 S MANTOWN BLVD STE INTOWN CO, 11111
Date of Request: 07/16/2006

Sample Credit Report Page 4 of 4

Personal Information
The following information is reported to us by you, your creditors and other sources. Each source may report your personal information differently, which may result in variations of your name, address, Social Security number, etc. As part of our fraud prevention efforts, a notice with additional information may appear. As a security precaution, the Social Security number that you used to obtain this report is not displayed. The Name identification number and Address identification number are how our system identifies relations of your name and address that may appear on your report. The Geographical Code shown with each address identifies the state, county, census tract, block group and Metropolitan Statistical Area associated with each address.

Personal information:
Personal information associated with your history that has been reported to Experian by you, your creditors and other sources.

Names: JOHN Q CONSUMER
Name identification number: 15621
JOHN Q CONSUMER
Name identification number: 15622
J Q CONSUMER
Name identification number: 15623

Address: 123 MAIN STREET ANYTOWN, MD 30001-9999
Address identification number: 0277741504
Type of Residence: Multifamily
Geographical Code: 0-156510-31-8840

Address: 555 SIMPLE PLACE ANYTOWN, MD 30002-7777
Address identification number: 0170089250
Type of Residence: Single family
Geographical Code: 0-178510-33-8840

Address: 999 HIGH DRIVE APT 15B ANYTOWN, MD 30003-5555
Address identification number: 0170129391
Type of Residence: Apartment complex
Geographical Code: 0-156510-31-8840

Year of birth: 1959
Type of Residence: Single family
Geographical Code: 0-178510-33-8840

Spouse or co-applicant: JANE
Address identification number: 0170129391
Type of Residence: Apartment complex
Geographical Code: 0-156510-31-8840

Telephone numbers: (555) 555 5555 Residential


Your Personal Statement
No general personal statements appear on your report.

Important Message From Experian
By law, we cannot disclose certain medical information (relating to physical, mental, or behavioral health or condition). Although we do not generally collect such information, it could appear in the name of a credit bureau (i.e., "Credit Center") that reports your payment history to us. If so, those names display in your report, but in reports to others they display only as MEDICAL PAYMENT DATA. Customer statements included on your report at your request that contain medical information are disclosed to others.

Contacting Us
Contact address and phone number for your area will display here.

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trans union sample credit report



Sample Trans Union Credit Report

Is the most common and standard type of report accessed. Contains information from credit grantors, courts, and collection agencies regarding the historical loans by the consumer.

[Close Window](#)

TRANS UNION Credit Profile Report

TRANS UNION
555 W. ADAMS
CHICAGO, IL 60604
800-888-4213
Date Reported: 4/6/2004

Personal Information

Name: ALFONSO B DOE **Date of Birth:** 8/1/1963
SSN: 000-00-0000 **Phone:** 456-7890
On File Since: 5/1/2002

Address: 5 E ANYSTREET
FANTASY ISLAND IL 60750
Reported On: 7/1/2002

Address: 7 E ANYSTREET
LARCHMONT NY 10538
Reported On: 5/1/2002

Employment Information

Company Name: UNKNOWN	Date Hired:	Occupation:
	Date Reported:	Income:
		Separation Date:

Company Name: ABC PIPE CO	Date Hired:	Occupation:
	Date Reported:	Income:
		Separation Date:

Geo Code

GEO Status: Insufficient Current Address
Address Indicator: Current Address **ZIP Code:** 60750

Block Code: No Future Address Entered **Block Group Status:**
GEO Status: Future Address **ZIP Code:**
Address Indicator: Future Address **Block Group Status:**
Block Code:

Report Summary

Total # of Trades: 3	30 Days: 0	Accounts Balance: \$3,790
Current Trades: 1	60 Days: 0	Monthly Payment: \$20
Unrated Trades: 0	90+ Days: 0	Credit Limit: \$1,600
Curr Neg Trades: 2	Inquiries: 8	High Credit: \$2,746
Hist Neg Trades: 0	Inq. last 6 mths: 4	Total Rent Est. Bal.: N/A
No. of Accts Paid: 0	Public Records: 2	Total Rev. Bal.: \$1,044
Curr Past Due: 2	Collections: 2	Tot. Installment Bal.: \$2,596
Amount Past Due: \$2,746	Oldest Trade: 12/1/1996	Available %: 35

Scorecards

Scorecard: EMPIRICA
Score: 502
Reasons: (018) Serious delinquency, and public record or collection filed
 (013) Time since delinquency is too recent or unknown
 (020) Length of time since derogatory public record or collection is too short
 (018) Number of accounts with delinquency

Collections

<u>Member Number</u>	<u>Industry Code</u>	<u>Date Reported</u>	<u>Amount</u>
<u>Creditor</u>	<u>Account Number</u>	<u>Date Verified</u>	<u>Balance</u>
<u>Status</u>		<u>Date Closed</u>	
Narratives			
0596D001/CAPITAL CRDT TEST (9B)Collection account Placed for collection	Collection services 55784	4/1/2002 12/1/2003	\$5,845 \$5,845
0596D001/CAPITAL CRDT TEST (9B)Collection account Placed for collection	Collection services 976461	12/1/2002 7/1/2003	\$245 \$245

Public Records

<u>Court Name/Number</u>	<u>Date Reported</u>	<u>Member Number</u>	<u>Amount</u>
<u>Record Type</u>	<u>Date Paid</u>	<u>Plaintiff</u>	<u>Assets</u>
<u>Court Type</u>	<u>ACC Designator</u>	<u>Attorney</u>	<u>Liability</u>
Public Record Disposition			
<u>Public Record Disposition</u>	<u>Docket</u>	<u>Industry</u>	
Civil judgement	12/1/2002	05027021	\$1,500
	-	-	-
	Individual account -		
	986146	Miscellaneous and public record	
Civil judgement	12/1/2002	05027021	\$789
	-	-	-
	Individual account -		
	98643314	Miscellaneous and public record	

Trade Lines

<u>Firm Name/ID</u>	<u>Opened</u>	<u>Credit Limit</u>	<u>Balance</u>	<u>MoPmnt</u>	<u>30</u>	<u>60</u>	<u>90</u>
<u>Account Number</u>	<u>Reported</u>	<u>High Credit</u>	<u>Past Due</u>	<u>MoRep</u>	<u>Pattern</u>		
<u>KOB</u>	<u>Acct. Type</u>	<u>Charge of Orig.</u>	<u>Date Closed</u>	<u>Owner</u>	<u>Terms</u>		
<u>Status</u>	<u>Lst. Paymnt.</u>	<u>Am't. Closed</u>	<u>Owner</u>	<u>Terms</u>			
AL GAS/U 075GY001	12/1/2002	-	\$2,596	-	-	-	-
976415	4/1/2004	\$2,596	\$2,596	-	-	-	-
Utilities	Installment	-	-	-	-	-	-
(9B)Collection account				Individual			
Placed for collection							
BOSS FINANCI/F 034GJ001	12/1/1996	-	\$150	-	-	-	-
97641	3/1/2004	\$150	\$150	-	-	-	-
Finance.	Open	-	-	-	-	-	-
(9B)Collection account				Individual			
Placed for collection							
CITI/B 064DB002	5/1/2002	\$1,600	\$1,044	\$20	0	0	0
54241801	3/1/2004	\$0	\$0	23	11111111111111		
Banks	Revolving	-	-	-	111111111111		
(01)Paid or paying as agreed	3/1/2004			Individual	MIN		
account							

Inquiries

<u>Date</u>	<u>Subscriber Name</u>	<u>Subscriber #</u>	<u>Amount</u>	<u>Market</u>	<u>Submarket</u>	<u>KOB</u>
12/4/2003		100001243		17	NY	Insurance
12/4/2003		100001240		17	NY	Insurance
11/20/2003	VOLVO	N01212622		15	DF	Credit card and travel/entertainment companies
11/14/2003	CITIMORTGAGEF00023746			07	SL	Finance, personal
4/5/2003	TEST CODE	K00000004		06	TR	Contractors
2/10/2003	EQUIFAX MTG	Z00008281		06	CH	Miscellaneous and public record
4/20/2002	CITI	N00012831		06	CH	Credit card and travel/entertainment companies
7/7/2001	CITI	N00012896		06	CH	Credit card and travel/entertainment companies

Warning Messages

Phone Append - 4-Default product delivered / P03
 HAWK - 1-Requested product delivered /
 EMPIRICA - 4-Default product delivered /
 07011 - 1-Requested product delivered / G07
 07011 - 1-Requested product delivered / G04
 06800 - 4-Default product delivered / OFAC Advisor Clear
 Input, year issued: 1965-1967; state: NY; (est. Age obtained: 0 to)
 File; year issued: 1965-1967; state: NY; (est. Age obtained: 1 to 4)
 Credit data not suppressed

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your credit score helps determine what you'll pay for credit and insurance

Your Credit Score Helps Determine What You'll Pay For Credit And Insurance

(NAPS)—Ever wonder how a lender decides whether to grant you credit? Creditors use credit scoring systems to determine if you'd be a good risk for credit cards, auto loans, mortgages and insurance. A higher credit score means you are likely to be a good risk, which, in turn, means you will be more likely to get credit or insurance—or pay less for it.

The Federal Trade Commission (FTC), the nation's consumer protection agency, wants you to know how credit scoring works.

What Is Credit Scoring?

Credit scoring is a system creditors use to help determine whether to give you credit. It also may be used to help decide the terms you are offered or the rate you will pay for the loan.

Information about you and your credit experiences, like your bill-paying history, the number and type of accounts you have, whether you pay your bills by the date they're due, collection actions, outstanding debt and the age of your accounts, is collected from your credit report. Using a statistical program, creditors compare this information to the loan repayment history of consumers with similar profiles.

What Can You Do To Improve Your Score?

Credit scoring systems are complex and vary among creditors or insurance companies and for different types of credit or insurance. If one factor changes, your score may change; but improvement generally depends on how that factor relates to others the system considers.

Nevertheless, scoring models usually consider the following types of information in your credit report to compute your credit score:



Properly designed, credit scoring systems enable faster, more accurate and more impartial decisions.

- Have you paid your bills on time? You can count on payment history to be a significant factor.
- Are you maxed out? Many scoring systems evaluate the amount of debt you have compared to your credit limits.
- How long have you had credit? Generally, scoring systems consider the length of your credit track record.
- Have you applied for new credit lately? Many scoring systems consider whether you have applied for credit recently by looking at "inquiries" on your credit report. Applying for too many accounts in the recent past could have a negative effect on your score.
- How many credit accounts do you have and what kinds of accounts are they? Although it is generally considered a plus to have established credit accounts, too many credit card accounts may have a negative effect on your score.

To learn more, visit www.ftc.gov or call toll free (877) FTC-HELP.

Did You Know

Creditors use credit scoring systems to determine if you'd be a good risk for credit cards, auto loans, mortgages and insurance. A higher credit score means you are likely less of a risk. To learn more, visit www.ftc.gov.

Creditors use credit scoring systems to determine if you'd be a good risk for credit cards, auto loans, mortgages and insurance. /// Your Credit Score Helps Determine What You'll Pay For Credit And Insurance

building a better credit report



BUILDING A BETTER CREDIT REPORT

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If you've ever applied for a credit card, a personal loan, or insurance, there's a file about you. This file is known as your credit report. It is chock full of information on where you live, how you pay your bills, and whether you've been sued or arrested, or have filed for bankruptcy. Credit reporting companies sell the information in your report to creditors, insurers, employers, and other businesses with a legitimate need for it. They use the information to evaluate your applications for credit, insurance, employment, or a lease.

Having a good credit report means it will be easier for you to get loans and lower interest rates. Lower interest rates usually translate into smaller monthly payments.

Nevertheless, newspapers, radio, TV, and the Internet are filled with ads for companies and services that promise to erase **accurate negative** information in your credit report in exchange for a fee. The scam artists who run these ads not only **don't** deliver — they **can't** deliver. Only time, a deliberate effort, and a plan to repay your bills will improve your credit as it's detailed in your credit report.

The Federal Trade Commission (FTC), the nation's consumer protection agency, has written this booklet to help explain how to build a better credit report. It has six sections:

- SECTION 1** explains your rights under the Fair Credit Reporting Act and the Fair and Accurate Credit Transactions Act.
- SECTION 2** tells how you can legally improve your credit report.
- SECTION 3** offers tips on dealing with debt.
- SECTION 4** cautions about credit-related scams and how to avoid them.
- SECTION 5** offers information about identity theft.
- SECTION 6** lists resources for additional information.

SECTION 1

THE FAIR CREDIT REPORTING ACT

The Fair Credit Reporting Act (FCRA) promotes the accuracy, fairness, and privacy of information in the files of the nation's credit reporting companies. The FTC enforces the FCRA with respect to these companies. Recent amendments to the FCRA expand consumer rights and place additional requirements on credit reporting companies. Businesses that provide information about consumers to credit reporting companies and businesses that use credit reports also have new responsibilities under the law.

Here are answers to some of the questions consumers have asked the FTC about consumer reports and credit reporting companies.

Q. DO I HAVE A RIGHT TO KNOW WHAT'S IN MY REPORT?

A. You have the right to know what's in your report, but you have to ask for the information. The credit reporting company must tell you everything in your report, and give you a list of everyone who has requested your report within the past year — or the past two years if the requests were related to employment.

Q. WHAT TYPE OF INFORMATION DO CREDIT REPORTING COMPANIES COLLECT AND SELL?

A. Credit reporting companies collect and sell four basic types of information:

- **Identification and employment information:** Your name, birth date, Social Security number, employer, and spouse's name are noted routinely. The credit reporting company also may provide information about your employment history, home ownership, income, and previous address, if a creditor asks.
- **Payment history:** Your accounts with different creditors are listed, showing how much credit has been extended and whether you've paid on time. Related events, such as the referral of an overdue account to a collection agency, also may be noted.
- **Inquiries:** Credit reporting companies must maintain a record of all creditors who have asked for your credit history within the past year, and a record of individuals or businesses that have asked for your credit history for employment purposes for the past two years.
- **Public record information:** Events that are a matter of public record, such as bankruptcies, foreclosures, or tax liens, may appear in your report.

Q. IS THERE A CHARGE FOR MY REPORT?

A. Under the Free File Disclosure Rule of the Fair and Accurate Credit Transactions Act (FACT Act), each of the nationwide credit reporting companies — Equifax, Experian, and TransUnion — is required to provide you with a free copy of your credit report once every 12 months, if you ask for it.

SECTION 1

Q. HOW DO I ORDER MY FREE REPORT?

A. The three nationwide credit reporting companies are using one website, one toll-free telephone number, and one mailing address for consumers to order their free annual report. To order, click on annualcreditreport.com, call 1-877-322-8228, or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. The form is on page six; or you can print it from ftc.gov/credit. Do not contact the three nationwide credit reporting companies individually. You may order your free annual reports from each of the credit reporting companies at the same time, or you can order them one at a time. The law allows you to order one free copy from each of the nationwide credit reporting companies every 12 months.

Q. WHAT INFORMATION DO I HAVE TO PROVIDE TO GET MY FREE REPORT?

A. You need to provide your name, address, Social Security number, and date of birth. If you have moved in the last two years, you may have to provide your previous address. To maintain the security of your file, each nationwide credit reporting company may ask you for some information that only you would know, like the amount of your monthly mortgage payment. Each company may ask you for different information because the information each has in your file may come from different sources.

Still, annualcreditreport.com is the **only** authorized online source for your free annual credit report from the three nationwide credit reporting companies. Neither the website nor the companies will call you first to ask for personal information or send you an email asking for personal information. If you get a phone call or an email — or see a pop-up ad — claiming it's from annualcreditreport.com (or any of the three nationwide credit reporting companies), it's probably a scam. Don't reply or click on any link in the message. Instead, forward any email that claims to be from annualcreditreport.com (or any of the three credit reporting companies) to spam@uce.gov, the FTC's database of deceptive spam.

Q. ARE THERE OTHER SITUATIONS WHERE I MIGHT BE ELIGIBLE FOR A FREE REPORT?

A. Under federal law, you're entitled to a free report if a company takes adverse action against you, such as denying your application for credit, insurance, or employment, and you ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the credit reporting company. You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days; if you're on welfare; or if your report is inaccurate because of fraud, including identity theft. Otherwise, any of the three credit reporting companies may charge you up to \$10.50 for another copy of your report within a 12-month period.


TO BUY A COPY OF YOUR REPORT, CONTACT:

Equifax 1-800-685-1111 equifax.com	Experian 1-888-397-3742 experian.com	TransUnion 1-800-916-8800 transunion.com
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SECTION 2

ACCURATE NEGATIVE INFORMATION


When negative information in your report is accurate, only the passage of time can assure its removal. A credit reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. There is no time limit on reporting information about criminal convictions; information reported in response to your application for a job that pays more than \$75,000 a year; and information reported because you've applied for more than \$150,000 worth of credit or life insurance. There is a standard method for calculating the seven-year reporting period. Generally, the period runs from the date that the event took place.



ADDING ACCOUNTS TO YOUR FILE

Your credit file may not reflect all your credit accounts. Most national department store and all-purpose bank credit card accounts are included in your file, but not all. Some local retailers, credit unions, and travel, entertainment, and gasoline card companies are among those that usually aren't included.

If you've been told that you were denied credit because of an "insufficient credit file" or "no credit file" and you have accounts with creditors that don't appear in your credit file, ask the credit reporting companies to add this information to future reports. Although they are not required to do so, many credit reporting companies will add verifiable accounts for a fee. However, if these creditors do not generally report to the credit reporting company, the added items will not be updated in your file.



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SECTION 3

DEALING WITH DEBT

Having trouble paying your bills? Getting dunning notices from creditors? Are your accounts being turned over to debt collectors? Are you worried about losing your home or your car?

You're not alone. Many people face financial crises at some time in their lives. Whether the crisis is caused by personal or family illness, the loss of a job, or simple overspending, it can seem overwhelming. But often, it can be overcome. The fact is that your financial situation doesn't have to go from bad to worse.

If you or someone you know is in financial hot water, consider these options: realistic budgeting, credit counseling from a reputable organization, debt consolidation, or bankruptcy. How do you know which will work best for you? It depends on your level of debt, your level of discipline, and your prospects for the future.

SELF-HELP

DEVELOPING A BUDGET

The first step toward taking control of your financial situation is to do a realistic assessment of how much money you take in and how much money you spend. Start by listing your income from all sources. Then, list your "fixed" expenses — those that are the same each month — like mortgage payments or rent, car payments, and insurance premiums. Next, list the expenses that vary — like entertainment, recreation, and clothing. Writing down all your expenses, even those that seem insignificant, is a helpful way to track your spending patterns, identify necessary expenses, and prioritize the rest. The goal is to make sure you can make ends meet on the basics: housing, food, health care, insurance, and education.

Your public library and bookstores have information about budgeting and money management techniques. In addition, computer software programs can be useful tools for developing and maintaining a budget, balancing your checkbook, and creating plans to save money and pay down your debt.

CONTACTING YOUR CREDITORS

Contact your creditors immediately if you're having trouble making ends meet. Tell them why it's difficult for you, and try to work out a modified payment plan that reduces your payments to a more manageable level. Don't wait until your accounts have been turned over to a debt collector. At that point, your creditors have given up on you.

DEALING WITH DEBT COLLECTORS

The Fair Debt Collection Practices Act is the federal law that dictates how and when a debt collector may contact you. A debt collector may not call you before 8 a.m., after 9 p.m., or while you're at work if the collector knows that your employer doesn't approve of the calls.

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Collectors may not harass you, lie, or use unfair practices when they try to collect a debt. And they must honor a written request from you to stop further contact.

CREDIT COUNSELING

If you're not disciplined enough to create a workable budget and stick to it, can't work out a repayment plan with your creditors, or can't keep track of mounting bills, consider contacting a credit counseling organization. Many credit counseling organizations are nonprofit and work with you to solve your financial problems. But be aware that just because an organization says it's "nonprofit," there's no guarantee that its services are free, affordable, or even legitimate. In fact, some credit counseling organizations charge high fees, which may be hidden, or pressure consumers to make large "voluntary" contributions that can cause more debt.

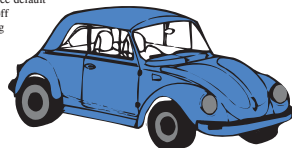
Most credit counselors offer services through local offices, the Internet, or on the telephone. If possible, find an organization that offers in-person counseling. Many universities, military bases, credit unions, housing authorities, and branches of the U.S. Cooperative Extension Service operate nonprofit credit counseling programs. Your financial institution, local consumer protection agency, and friends and family also may be good sources of information and referrals.

Reputable credit counseling organizations can advise you on managing your money and debts, help you develop a budget, and offer free educational materials and workshops. Their counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting. Counselors discuss your entire financial situation with you, and help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.

AUTO AND HOME LOANS

Your debts can be secured or unsecured. Secured debts usually are tied to an asset, like your car for a car loan, or your house for a mortgage. If you stop making payments, lenders can repossess your car or foreclose on your house. Unsecured debts are not tied to any asset, and include most credit card debt, bills for medical care, signature loans, and debts for other types of services.

Most automobile financing agreements allow a creditor to repossess your car any time you're in default. No notice is required. If your car is repossessed, you may have to pay the balance due on the loan, as well as towing and storage costs, to get it back. If you can't do this, the creditor may sell the car. If you see default approaching, you may be better off selling the car yourself and paying off the debt. You'll avoid the added costs of repossession and a negative entry on your credit report.



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SECTION 3

If you fall behind on your mortgage, contact your lender immediately to avoid foreclosure. Most lenders are willing to work with you if they believe you're acting in good faith and the situation is temporary. Some lenders may reduce or suspend your payments for a short time. When you resume regular payments, though, you may have to pay an additional amount toward the past due total. Other lenders may agree to change the terms of the mortgage by extending the repayment period to reduce the monthly debt. Ask whether additional fees would be assessed for these changes, and calculate how much they total in the long term.

If you and your lender cannot work out a plan, contact a housing counseling agency. Some agencies limit their counseling services to homeowners with FHA mortgages, but many offer free help to any homeowner who's having trouble making mortgage payments. Call the local office of the Department of Housing and Urban Development or the housing authority in your state, city, or county for help in finding a legitimate housing counseling agency near you.

DEBT CONSOLIDATION

You may be able to lower your cost of credit by consolidating your debt through a second mortgage or a home equity line of credit. Remember that these loans require you to put up your home as collateral. If you can't make the payments — or if your payments are late — you could lose your home.

What's more, the costs of consolidation loans can add up. In addition to interest on the loans, you may have to pay "points," with one point equal to one percent of the amount you borrow. Still, these loans may provide certain tax advantages that are not available with other kinds of credit.

BANKRUPTCY

Personal bankruptcy generally is considered the debt management option of last resort because the results are long-lasting and far-reaching. A bankruptcy stays on your credit report for 10 years, and can make it difficult to obtain credit, buy a home, get life insurance, or sometimes get a job. Still, it is a legal procedure that offers a fresh start for people who can't satisfy their debts. People who follow the bankruptcy rules receive a discharge — a court order that says they don't have to repay certain debts.

The consequences of bankruptcy are significant and require careful consideration. Other factors to think about: Effective October 2005, Congress made sweeping changes to the bankruptcy laws. The net effect of these changes is to give consumers more incentive to seek bankruptcy relief under Chapter 13 rather than Chapter 7. Chapter 13 allows you, if you have a steady income, to keep property, such as a mortgaged house or car, that you might otherwise lose. In Chapter 13, the court approves a repayment plan that allows you to use your future income to pay off your debts during a three-to-five-year period, rather than surrender any property. After you have made all the payments under the plan, you receive a discharge of your debts.

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building a better credit report

SECTION 3

Chapter 7, known as straight bankruptcy, involves the sale of all assets that are not exempt. Exempt property may include cars, work-related tools, and basic household furnishings. Some of your property may be sold by a court-appointed official — a trustee — or turned over to your creditors. The new bankruptcy laws have changed the time period during which you can receive a discharge through Chapter 7. You now must wait eight years after receiving a discharge in Chapter 7 before you can file again under that chapter. The Chapter 13 waiting period is much shorter and can be as little as two years between filings.

Both types of bankruptcy may get rid of unsecured debts and stop foreclosures, repossessions, garnishments, utility shut-offs, and debt collection activities. Both also provide exemptions that allow you to keep certain assets, although exemption amounts vary by state. Personal bankruptcy usually does not erase child support, alimony, fines, taxes, and some student loan obligations. Also, unless you have an acceptable plan to catch up on your debt under Chapter 13, bankruptcy usually does not allow you to keep property when your creditor has an unpaid mortgage or security lien on it.

Another major change to the bankruptcy laws involves certain hurdles that you must clear before even filing for bankruptcy, no matter what the chapter. You must get credit counseling from a government-approved organization within six months before you file for any bankruptcy relief. You can find a state-by-state list of government-approved organizations at udoj.gov/ust. That is the website of the U.S. Trustee Program, the organization within the U.S. Department of Justice that supervises bankruptcy cases and trustees. Also, before you file a Chapter 7 bankruptcy case, you must satisfy a “means test.” This test requires you to confirm that your income does not exceed a certain amount. The amount varies by state and is publicized by the U.S. Trustee Program at udoj.gov/ust.

For more information, see *Before You File for Personal Bankruptcy: Information About Credit Counseling and Debtor Education*, *Knee Deep in Debt*, and *Fiscal Fitness: Choosing a Credit Counselor* at ftc.gov/credit.

BEFORE YOU FILE FOR
PERSONAL BANKRUPTCY

KNEE DEEP IN DEBT

FISCAL FITNESS:
CHOOSING A CREDIT COUNSELOR

FTC.GOV/CREDIT

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AVOIDING SCAMS

Turning to a business that offers help in solving debt problems may seem like a reasonable solution when your bills become unmanageable. Be cautious. Before you do business with any company, check it out with your local consumer protection agency or the Better Business Bureau in the company’s location.

ADS PROMISING DEBT RELIEF MAY REALLY BE OFFERING BANKRUPTCY

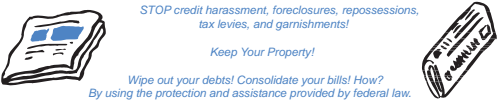
Whether your debt dilemma is the result of an illness, unemployment, or overspending, it can seem overwhelming. In your effort to get solvent, be on the alert for advertisements that offer seemingly quick fixes. And read between the lines when faced with ads in newspapers, magazines, or even telephone directories that say:

Consolidate your bills into one monthly payment without borrowing!

STOP credit harassment, foreclosures, repossessions, tax levies, and garnishments!

Keep Your Property!

Wipe out your debts! Consolidate your bills! How? By using the protection and assistance provided by federal law. For once, let the law work for you!



While the ads pitch the promise of debt relief, they rarely say relief may be spelled b-a-n-k-r-u-p-t-c-y. And although bankruptcy is one option to deal with financial problems, it’s generally considered the option of last resort. The reason: it has a long-term negative impact on your creditworthiness. A bankruptcy stays on your credit report for 10 years, and can hinder your ability to get credit, a job, insurance, or even a place to live. What’s more, it can cost you attorneys’ fees.

ADVANCE-FEE LOAN SCAMS

These scams often target consumers with bad credit problems or those with no credit. In exchange for an up-front fee, these companies “guarantee” that applicants will get the credit they want — usually a credit card or a personal loan.

The up-front fee may be as high as several hundred dollars. Resist the temptation to follow up on advance-fee loan guarantees. They may be illegal. Many legitimate creditors offer extensions of credit, such as credit cards, loans, and mortgages through telemarketing, and require an application fee or appraisal fee in advance. But legitimate creditors **never guarantee in advance** that you’ll get the loan. Under the federal Telemarketing Sales Rule, a seller or

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telemarketer who guarantees or represents a high likelihood of your getting a loan or some other extension of credit may not ask for or receive payment until you’ve received the loan.

RECOGNIZING AN ADVANCE-FEE LOAN SCAM

Ads for advance-fee loans often appear in the classified ad section of local and national newspapers and magazines. They also may appear in mailings, radio spots, and on local cable stations. Often, these ads feature “900” numbers, which result in charges on your phone bill. In addition, these companies often use delivery systems other than the U.S. Postal Service, such as overnight or courier services, to avoid detection and prosecution by postal authorities.

It’s not hard to confuse a legitimate credit offer with an advance-fee loan scam. An offer for credit from a bank, savings and loan, or mortgage broker generally requires your verbal or written acceptance of the loan or credit offer. The offer usually is subject to a check of your credit report after you apply to make sure you meet their credit standards. Usually, you are not required to pay a fee to get the credit.

Hang up on anyone who calls you on the phone and says they can guarantee you will get a loan if you pay in advance. It’s against the law.

PROTECTING YOURSELF

Here are some tips to keep in mind before you respond to ads that promise easy credit, regardless of your credit history:

- Most legitimate lenders will not “guarantee” that you will get a loan or a credit card before you apply, especially if you have bad credit or a bankruptcy.
- It is an accepted and common practice for reputable lenders to require payment for a credit report or appraisal. You also may have to pay a processing or application fee.
- Never give your credit card account number, bank account information, or Social Security number out over the telephone unless you are familiar with the company and know why the information is necessary.

CREDIT REPAIR SCAMS

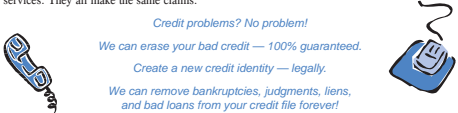
You see the ads in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail. You may even get calls from telemarketers offering credit repair services. They all make the same claims:

Credit problems? No problem!

We can erase your bad credit — 100% guaranteed.

Create a new credit identity — legally.

We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!



Do yourself a favor and save some money, too. Don’t believe these statements. They’re just not true. Only time, a conscientious effort, and a plan for repaying your debt will improve your credit report.


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THE WARNING SIGNS

If you should decide to respond to an offer to repair your credit, think twice. Don’t do business with any company that:

- wants you to pay for credit repair services before any services are provided
- does not tell you your legal rights and what you can do yourself — for free
- recommends that you not contact a credit reporting company directly
- suggests that you try to invent a “new” credit report by applying for an Employer Identification Number to use instead of your Social Security number
- advises you to dispute all information in your credit report or take any action that seems illegal, such as creating a new credit identity. If you follow illegal advice and commit fraud, you may be subject to prosecution.



You could be charged and prosecuted for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information. It’s a federal crime to make false statements on a loan or credit application, to misrepresent your Social Security number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses.

THE CREDIT REPAIR ORGANIZATIONS ACT

By law, credit repair organizations must give you a copy of the “Consumer Credit File Rights Under State and Federal Law” before you sign a contract. They also must give you a written contract that spells out your rights and obligations. Read these documents before signing the contract. The law contains specific consumer protections. For example, a credit repair company cannot:

- make false claims about their services
- charge you until they have completed the promised services
- perform any services until they have your signature on a written contract and have completed a three-day waiting period. During this time, you can cancel the contract without paying any fees.

Your contract must specify:

- the total cost of the services
- a detailed description of the services to be performed
- how long it will take to achieve the results
- any “guarantees” they offer
- the company’s name and business address

WHERE TO COMPLAIN

If you’ve had a problem with any of the scams described here, contact your local consumer protection agency, state Attorney General (AG), or Better Business Bureau. Many AGs have toll-free consumer hotlines. Check with your local directory assistance.

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building a better credit report

SECTION 5

IDENTITY THEFT

An identity thief is someone who obtains some piece of your sensitive information, like your Social Security number, date of birth, address, and phone number, and uses it without your knowledge to commit fraud or theft.

How IDENTITY THIEVES GET YOUR INFORMATION
 Skilled identity thieves use a variety of methods to gain access to your personal information. For example, they may:

- get information from businesses or other institutions by:
 - stealing records or information while they're on the job
 - bribing an employee who has access to these records
 - hacking these records
 - conning information out of employees
- rummage through your trash, the trash of businesses, or public trash dumps in a practice known as "dumpster diving"
- get your credit reports by abusing their employers' authorized access to them, or by posing as a landlord, employer, or someone else who may have a legal right to access your report
- steal your credit or debit card numbers by capturing the information in a data storage device in a practice known as "skimming." They may swipe your card for an actual purchase, or attach the device to an ATM machine where you may enter or swipe your card.
- steal wallets and purses containing identification and credit and bank cards
- steal mail, including bank and credit card statements, new checks, or tax information complete a "change of address form" to divert your mail to another location
- steal personal information from your home
- scam information from you by posing as a legitimate business person or government official

How IDENTITY THIEVES USE YOUR INFORMATION
 Once identity thieves have your personal information, they may:

- go on spending sprees using your credit and debit card account numbers to buy "big-ticket" items like computers that they can easily sell
- open a new credit card account, using your name, date of birth, and Social Security number. When they don't pay the bills, the delinquent account is reported on your credit report.
- change the mailing address on your credit card account. The imposter then runs up charges on the account. Because the bills are being sent to the new address, it may take some time before you realize there's a problem.
- take out auto loans in your name
- establish phone or wireless service in your name
- counterfeit checks or debit cards, and drain your bank account
- open a bank account in your name and write bad checks on that account
- file for bankruptcy under your name to avoid paying debts they've incurred, or to avoid eviction

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- give your name to the police during an arrest. If they are released and don't show up for their court date, an arrest warrant could be issued in your name.

PROTECTING YOURSELF
 Managing your personal information is key to minimizing your risk of becoming a victim of identity theft.

- Keep an eye on your purse or wallet, and keep them in a safe place at all times.
- Don't carry your Social Security card.
- Don't share your personal information with random people you don't know. Identity thieves are really good liars, and could pretend to be from banks, Internet service providers, or even government agencies to get you to reveal identifying information.
- Read the statements from your bank and credit accounts and look for unusual charges or suspicious activity. Report any problems to your bank and creditors right away.
- Tear up or shred your charge receipts, checks and bank statements, expired charge cards, and any other documents with personal information before you put them in the trash.

How To Tell If You're A Victim Of Identity Theft
 Monitor the balances of your financial accounts. Look for unexplained charges or withdrawals. Other indications of identity theft can be:

- failing to receive bills or other mail signaling an address change by the identity thief
- receiving credit cards for which you did not apply
- denial of credit for no apparent reason
- receiving calls from debt collectors or companies about merchandise or services you didn't buy

WHAT TO DO IF YOUR IDENTITY'S BEEN STOLEN
 If you suspect that your personal information has been used to commit fraud or theft, take the following four steps right away. Follow up all calls in writing; send your letter by certified mail, and request a return receipt, so you can document what the company received and when; and keep copies for your files.

- Place a fraud alert on your credit reports and review your credit reports.

Contact any one of the nationwide credit reporting companies to place a fraud alert on your credit report. Fraud alerts can help prevent an identity thief from opening any more accounts in your name. The company you call is required to contact the other two, which will place an alert on their versions of your report, too.

Equifax: 1-800-525-6285; equifax.com
Experian: 1-888-397-3742; experian.com
TransUnion: 1-800-680-7289; transunion.com

In addition to placing the fraud alert on your file, the three credit reporting companies will send you free copies of your credit reports, and, if you ask, they will display only the last four digits of your Social Security number on them.

SECTION 5

- Close the accounts that you know, or believe, have been tampered with or opened fraudulently.
 Contact the security or fraud department of each company where you know, or believe, accounts have been tampered with or opened fraudulently. Follow up in writing, and include copies (NOT originals) of supporting documents. *It's important to notify credit card companies and banks in writing.* Send your letters by certified mail, return receipt requested, so you can document what the company received and when. Keep a file of your correspondence and enclosures.
 When you open new accounts, use new Personal Identification Numbers (PINs) and passwords. Avoid using easily available information, like your mother's maiden name, your birth date, the last four digits of your Social Security number, your phone number, or a series of consecutive numbers.
- File a report with your local police or the police in the community where the identity theft took place.
 Get a copy of the police report or, at the very least, the number of the report. It can help you deal with creditors who need proof of the crime. If the police are reluctant to take your report, ask to file a "Miscellaneous Incidents" report, or try another jurisdiction, like your state police. You also can check with your state Attorney General's office to find out if state law requires the police to take reports for identity theft. Check the Blue Pages of your telephone directory for the phone number or check naag.org for a list of state Attorneys General.
- File a complaint with the Federal Trade Commission.
 By sharing your identity theft complaint with the FTC, you will provide important information that can help law enforcement officials across the nation track down identity thieves and stop them. The FTC also can refer your complaint to other government agencies and companies for further action, as well as investigate companies for violations of laws that the FTC enforces.
 You can file a complaint online at ftc.gov/idtheft. If you don't have Internet access, call the FTC's Identity Theft Hotline, toll-free: 1-877-IDTHEFT (1-877-438-4338); TTY: 1-866-653-4261; or write: Identity Theft Clearinghouse, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580.

For more information, see *Deter, Detect, Defend: Avoid ID Theft or Take Charge: Fighting Back Against Identity Theft* at ftc.gov/idtheft.

DETER, DETECT, DEFEND:
 AVOID ID THEFT
 TAKE CHARGE: FIGHTING BACK
 AGAINST IDENTITY THEFT
 FTC.GOV/IDTHEFT

SECTION 6

FOR MORE INFORMATION

The Federal Trade Commission enforces a number of credit laws and has free information about them:

The **Equal Credit Opportunity Act** prohibits the denial of credit because of your sex, race, marital status, religion, national origin, age, or because you receive public assistance.

The **Fair Credit Reporting Act** gives you the right to learn what information is being distributed about you by credit reporting companies.

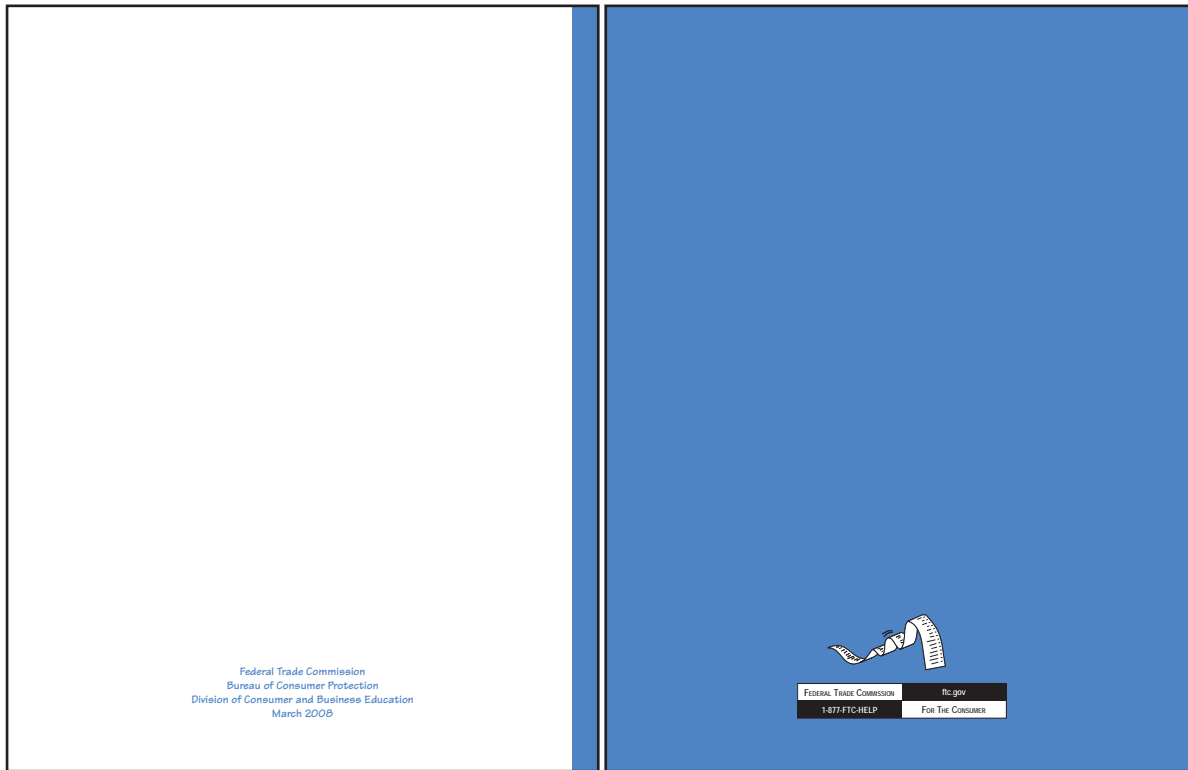
The **Truth in Lending Act** requires lenders to give you written disclosures of the cost of credit and terms of repayment before you enter into a credit transaction.

The **Fair Credit Billing Act** establishes procedures for resolving billing errors on your credit card accounts.

The **Fair Debt Collection Practices Act** prohibits debt collectors from using unfair or deceptive practices to collect overdue bills that your creditor has forwarded for collection.

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a new video, How to File a Complaint, at ftc.gov/video to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION
 600 PENNSYLVANIA AVENUE, NW
 WASHINGTON, DC 20580
 TOLL-FREE 1-877-FTC-HELP
 FTC.GOV

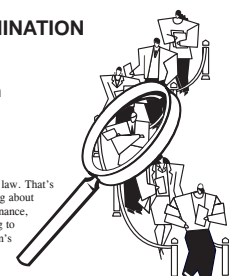


mortgage discrimination — a guide to understanding your rights & taking action

FTC FACTS for Consumers
The Equal Credit Opportunity Act
The Fair Housing Act

MORTGAGE DISCRIMINATION

A Guide to Understanding Your Rights & Taking Action



Mortgage discrimination is against the law. That's important to know if you are thinking about applying for a mortgage to buy, refinance, or make improvements to your home. According to the Federal Trade Commission (FTC), the nation's consumer protection agency, consumers who want to get a mortgage may want to research not only mortgage types and mortgage rates, but also their rights under federal laws in place to protect them from discrimination in the mortgage marketplace. Here's some information to get started.

THE EQUAL CREDIT OPPORTUNITY ACT

The Equal Credit Opportunity Act (ECOA) prohibits credit discrimination on the basis of race, color, religion, national origin, sex, marital status, age, or whether you get public assistance. Creditors may ask you for most of this information in certain situations, but they may not use it when deciding whether to give you credit or when setting the terms of your credit. They are never allowed to ask your religion. Everyone who participates in the decision to grant credit or in setting the terms of that credit, including real estate brokers who arrange financing, must follow the provisions of the ECOA.

THE FAIR HOUSING ACT

The Fair Housing Act (FHA) prohibits discrimination in all aspects of residential real-estate related transactions, including:

- making loans to buy, build, repair, or improve a dwelling;
- selling, brokering, or appraising residential real estate; and
- selling or renting a dwelling.

The FHA prohibits discrimination based on race, color, religion, sex, national origin, handicaps, or family status, which is defined as children under 18 living with a parent or legal guardian, pregnant women, and people securing custody of children under 18.

Facts for Consumers
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LENDER DO'S AND DON'TS

If you are looking for a mortgage, by law, lenders must:

- consider reliable public assistance income the same way as other income.
- consider reliable income from part-time employment, Social Security, pensions, and annuities.
- consider reliable alimony, child support, or separate maintenance payments, if you choose to provide this information. A lender may ask for proof that you receive this income consistently.
- accept someone other than your spouse as a co-signer if one is needed. If you own the property with your spouse, he or she may be asked to sign documents that permit you to mortgage the property.

But lenders cannot:

- discourage you from applying for a mortgage or reject your application because of your race, color, religion, national origin, sex, marital status, age, or because you receive public assistance.
- consider your sex, race, or national origin, although you will be asked to disclose this information voluntarily to help federal agencies enforce anti-discrimination laws. A creditor may consider your immigration status and whether you have the right to remain in the country long enough to repay the debt.
- impose different terms or conditions on a loan — like a higher interest rate or bigger down payment — based on your sex, race, or other prohibited factors.
- consider the racial composition of the neighborhood where you want to live. This also applies when the property is being appraised.
- ask about your plans for having a family, although they can ask questions about expenses related to your dependents.
- use discriminatory factors when refusing to purchase a loan or when setting different terms or conditions for the loan purchase.
- require a co-signer if you meet the lender's standards.

STRENGTHENING YOUR APPLICATION

Not everyone who applies for a mortgage will get one. Potential creditors are entitled to use factors like your income, expenses, debts, and credit history to evaluate your application for a mortgage. You may want to take some basic steps to strengthen your application to make sure that it gets full consideration.

- First — before you apply for a mortgage — get a copy of your credit report.** A credit report includes information on where you live, how you pay your bills, and whether you've been sued or arrested, or have filed for bankruptcy. National consumer reporting companies sell the information in your report to creditors, insurers, employers, and other businesses that, in turn, use it to evaluate your applications for credit, insurance, employment, or renting a home.

The Fair Credit Reporting Act (FCRA) requires each of the three nationwide consumer reporting companies — Equifax, Experian, and TransUnion — to provide you with a free copy of your credit report, at your request, once every 12 months. To order your report, visit annualcreditreport.com, call 1-877-322-8228, or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. The form is on the back of this brochure; or you can print it from ftc.gov/credit.

- Second, read your report to make sure the information in it is accurate and up to date.** Credit reports sometimes include inaccurate information: for example, accounts that don't belong to you or paid accounts that might be reported as unpaid. If you find errors, dispute them with the consumer reporting company involved and tell the lender about the dispute.
- Third, give the lender any information that supports your application.** For example, stable employment is important to many lenders. Perhaps you've recently changed jobs but have been employed steadily in the same field for several years. If so, include that informa-

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tion on your application. If you've had problems paying bills in the past due to a job layoff or high medical expenses, write a letter to the lender explaining the causes of your past credit problems. If you ask lenders to consider this information, they must do so.

TRYING FOR THE BEST LOAN TERMS

Consider shopping with several lenders to compare the fees they charge. When comparing prices, remember to look at *all* fees charged on your loan, as well as the interest rate.

Some lenders may try to charge some borrowers more than others for the same loan product offered at the same time. Charges might include higher interest rates, higher lender origination fees and points, and/or higher broker origination fees and points.

Ask the loan officer or broker you are dealing with if the rate you're being quoted is the lowest offered that day. The loan officer or broker probably is basing the offer on a list of mortgage rates issued by the lender. Ask to see the list; it's often called a rate sheet. If the loan officer or broker refuses and you suspect you aren't being offered the lowest rates available, consider negotiating for a lower rate or going to another lender or broker.

Remember that negotiating is acceptable. Many of the fees for your loan, like origination, application, and processing fees, may be negotiable. Ask your loan officer or broker to explain each of the fees on your loan and whether there's any flexibility on the amounts.

WHAT IF YOUR LOAN APPLICATION IS DENIED

If your mortgage application is denied, the lender must give you specific reasons — or tell you that you have the right to ask for the reasons. The law gives you the right to:

- find out whether your loan is approved within 30 days of submitting your completed application. The lender must make a reasonable effort to get all the necessary information, like credit

reports and property appraisals. If your application is rejected, the lender must tell you in writing.

- know specifically why your application was rejected. The lender must tell you the specific reason for the rejection or your right to learn the reason if you ask within 60 days. An acceptable reason might be: "your income was too low" or "you haven't been employed long enough." An unacceptable reason might be "you didn't meet our minimum standards." That's not specific enough information.
- learn the specific reason why you were offered less favorable terms than you applied for, but only if you reject these terms. For example, if the lender offers you a smaller mortgage or a higher interest rate, you have the right to know why — as long as you don't accept the lender's counter offer.
- get a copy of the property appraisal from the lender. Mortgage applications may be turned down because of low appraisals. Review the appraisal. Check that it has accurate information and determine whether the appraiser considered illegal factors, like the racial composition of the neighborhood.

The lender may have rejected your application because of negative information in your credit report. If so, the lender has to tell you that, and give you the name, address, and phone number of the consumer reporting company that provided the information. You can get a free copy of that report from the consumer reporting company if you ask for it within 60 days. Otherwise, unless you order your free annual credit report from that particular consumer reporting company, expect to pay up to \$10.50 for a copy. If your credit report has inaccurate information, the consumer reporting company is required to investigate items that you dispute. Those companies furnishing inaccurate information to the consumer reporting company also must reinvestigate items that you dispute. If you dispute the consumer reporting company's account even after the reinvestigation, make sure that your credit report includes your summary of the problem.

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Facts for Consumers

IF YOU SUSPECT DISCRIMINATION

Take action if you think you've been discriminated against.

- Complain to the lender. Sometimes you can persuade the lender to reconsider your application.
- Check with your state Attorney General's office (www.naag.org) to see if the creditor violated state laws: Many states have their own equal credit opportunity laws.
- Consider suing the lender in federal district court. If you win, you can recover your actual damages and be awarded punitive damages if the court finds that the lender's conduct was willful. You also may recover reasonable lawyers' fees and court costs. Or you might consider finding others with the same claim, and get together to file a class action suit.
- Report any violations to the appropriate government agency. If your mortgage application is denied, the lender must give you the name and address of the agency to contact.

A number of federal agencies enforce the ECOA and the FHA. Determining which agency to contact depends on the kind of financial institution you deal with.

For ECOA violations involving mortgage and consumer finance companies:

Federal Trade Commission
Consumer Response Center
Washington, DC 20580
1-877-FTC-HELP (1-877-382-4357)
TDD: 1-866-653-4261
www.ftc.gov

The FTC generally does not intervene in individual disputes, but the information you provide may indicate a pattern of violations that the Commission would investigate.

For FHA violations:

Office of Fair Housing and Equal Opportunity
US Department of Housing and Urban Development (HUD), Room 5204
Washington, DC 20410-2000
1-800-669-9777; TDD: 1-800-543-8294
www.hud.gov/fairhousing

You have one year to file a complaint with HUD, but you should file as soon as possible. Your complaint to HUD should include your name and address, the name and address of the person or company you are complaining about; the address or some other way to identify the housing involved; a short description of the facts that make you think your rights were violated; and the dates of the violation you are alleging. HUD will notify you when it receives your complaint. HUD also usually notifies the alleged violator of your complaint and allows the person to submit an answer; offers you and the alleged violator the chance to resolve your complaint voluntarily through a conciliation process; investigates your complaint and determines whether there is reason to believe the FHA has been violated; and lets you know if it cannot finish an investigation within 100 days of receiving your complaint.

For violations of the ECOA and the FHA:

*Nationally-chartered banks
(National or N.A. will be part of the name):*
Comptroller of the Currency
Consumer Assistance Group
1301 McKinney Street
Houston, TX 77010-9050
1-800-613-6743
www.helpwithmybank.gov

mortgage borrowers rights



This page is located on the U.S. Department of Housing and Urban Development's Homes and Communities website at <http://hpaduwp054.hud.gov/offices/hsg/rmra/res/resborwr.cfm>.



Mortgage Borrowers' Rights

ATTENTION BORROWER!

This may be the largest and most important loan you get during your lifetime. You should be aware of certain rights before you enter into any loan agreement.

-  Information by State
-  Print version

- You have the RIGHT to shop for the best loan for you and compare the charges of different mortgage brokers and lenders.
- You have the RIGHT to be informed about the total cost of your loan including the interest rate, points and other fees.
- You have the RIGHT to ask for a Good Faith Estimate of all loan and settlement charges before you agree to the loan and pay any fees.
- You have the RIGHT to know what fees are not refundable if you decide to cancel the loan agreement.
- You have the RIGHT to ask your mortgage broker to explain exactly what the mortgage broker will do for you.
- You have the RIGHT to know how much the mortgage broker is getting paid by you and the lender for your loan.
- You have the RIGHT to ask questions about charges and loan terms that you do not understand.
- You have the RIGHT to a credit decision that is not based on your race, color, religion, national origin, sex, marital status, age, or whether any income is from public assistance.
- You have the RIGHT to know the reason if your loan was turned down.
- You have a RIGHT to ask for the HUD settlement cost booklet "Shopping for Your Home Loan".

For HUD's settlement cost booklet and other helpful information about RESPA, visit our home page. For other questions, call (800) 569-4287.

Content current as of 3 August 2010

U.S. Department of Housing and Urban Development
451 7th Street, S.W., Washington, DC 20410
Telephone: (202) 708-1112 [Find the address of a HUD office near you](#)

form 1003 - uniform residential loan application (empty)

Uniform Residential Loan Application

This application is designed to be completed by the applicant with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower" as applicable. Co-Borrower information must be provided for the applicant's spouse or partner who has a community property interest in the property being financed, but not for a spouse or partner who has no community property interest in the property being financed. If the applicant is a tenant in common or joint tenant in real property, the applicant must be qualified as a tenant in common or joint tenant in real property, but not as a tenant in common or joint tenant in real property who is not a tenant in common or joint tenant in real property.

If this is an application for joint credit, Borrower and Co-Borrower each agree that he/she is applying for joint credit (sign below).

Borrower Name _____ **Co-Borrower Name** _____

TYPE OF MORTGAGE AND TERMS OF LOAN

Application: VA Conventional Other mortgage Reverse Mortgage Other Other Other Other

APR: Fixed Variable Other Other Other

Annual Rate: 172.896.00 Interest Rate: 6.500000 % % of Monthly Payment: 360

PROPERTY INFORMATION AND PURPOSE OF LOAN

Subject Property Address (street, city, state & ZIP): _____ City/State: _____

Legal Description of Subject Property (include description of easements): _____ Year Built: _____

See Preliminary Title Report

Purpose of Loan: Purchase Construction Other (specify): _____ Property will be: Primary Residence Secondary Residence Investment

Chapter 48B Use of Funds for the purchase or construction of residential property

Year Used: Original Cost: _____ Adjusted Existing Lines: _____ (b) Total Value of Lot: _____ (c) Cost of Improvements: _____ Total: _____ %

Chapter 48B Use of Funds for a refinance loan

Year Applied: Original Cost: _____ Adjusted Existing Lines: _____ Purpose of Refinance: _____ Describe Improvements: _____ Make: _____ Do to make: _____

Title will be held in what tenancy: _____ Mortgages in which Title will be held: _____ Title will be held: In the name of _____ In the name of _____ In the name of _____

ABC Lender _____ Source of Down Payment, Settlement Charges, and/or Subordinate Financing (specify): _____

BORROWER **CO-BORROWER**

III. BORROWER INFORMATION

Borrower's Name (include maiden name if applicable): _____ Co-Borrower's Name (include maiden name if applicable): _____

Borrower's Social Security Number: _____ Co-Borrower's Social Security Number: _____

Home Phone (include area code): _____ Home Phone (include area code): _____

Cellular Phone Number: _____ Cellular Phone Number: _____

Present Address (street, city, state, ZIP): _____ Present Address (street, city, state, ZIP): _____

Home Address (street, city, state, ZIP): _____ Home Address (street, city, state, ZIP): _____

Employment Information: Self-Employed Not Self-Employed Self-Employed Not Self-Employed

IV. EMPLOYMENT INFORMATION

Employer Name: _____ Employer Address: _____

Employer Phone: _____ Employer Phone: _____

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Category	Borrower	Co-Borrower	Total	Conventional Monthly Housing Expense	Present	Proposed
Gross Monthly Income*	\$	\$	\$	\$	\$	\$
Monthly Expenses						
Property Taxes						
Homeowners Association Fees						
Mortgage Insurance						
Other Monthly Expenses						
Total	\$	\$	\$	\$	\$	\$

* Self-Employed Borrowers may be required to provide additional documentation with an income tax return and financial statements.

VI. ASSETS AND LIABILITIES

Assets: None Other (specify): _____

Liabilities: None Other (specify): _____

VII. DETAILS OF TRANSACTION

Loan Amount: \$175,000.00

Estimated Closing Costs: \$2,750.00

Estimated Monthly Payment: \$1,050.00

Estimated Annual Payment: \$12,600.00

Total Cash Available: \$187,750.00

VIII. DECLARATIONS

I declare that the information provided in this application is true and correct to the best of my knowledge and belief.

I declare that I am not a party to any other pending or threatened litigation involving this property.

I declare that I am not a party to any other pending or threatened litigation involving this property.

Uniform Residential Loan Application
FD-1003 (Rev. 8/98)

B. EMPLOYMENT INFORMATION (continued)

Employer	Co-Borrower
Name & Address of Employer: _____ Date (month - day - year): _____ Monthly Income: \$ _____	Name & Address of Employer: _____ Date (month - day - year): _____ Monthly Income: \$ _____
Position/Title/Type of Business: _____ Business Phone (incl. area code): _____	Position/Title/Type of Business: _____ Business Phone (incl. area code): _____

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Category	Borrower	Co-Borrower	Total	Conventional Monthly Housing Expense	Present	Proposed
Gross Monthly Income*	\$	\$	\$	\$	\$	\$
Monthly Expenses						
Property Taxes						
Homeowners Association Fees						
Mortgage Insurance						
Other Monthly Expenses						
Total	\$	\$	\$	\$	\$	\$

* Self-Employed Borrowers may be required to provide additional documentation with an income tax return and financial statements.

VI. ASSETS AND LIABILITIES

Assets	Liabilities and Pledged Assets	Monthly Payment to Creditors	Original Balance
Name and address of Bank, S&L, or Credit Union: _____ Account No.: _____ Type of Account: _____	Name and address of Company: _____ Type of Account: _____ Original Balance: _____	\$	\$
Name and address of Bank, S&L, or Credit Union: _____ Account No.: _____ Type of Account: _____	Name and address of Company: _____ Type of Account: _____ Original Balance: _____	\$	\$
Name and address of Bank, S&L, or Credit Union: _____ Account No.: _____ Type of Account: _____	Name and address of Company: _____ Type of Account: _____ Original Balance: _____	\$	\$

VII. DETAILS OF TRANSACTION

Item	Amount
Loan Amount	\$175,000.00
Estimated Closing Costs	\$2,750.00
Estimated Monthly Payment	\$1,050.00
Estimated Annual Payment	\$12,600.00
Total Cash Available	\$187,750.00

VIII. DECLARATIONS

I declare that the information provided in this application is true and correct to the best of my knowledge and belief.

I declare that I am not a party to any other pending or threatened litigation involving this property.

I declare that I am not a party to any other pending or threatened litigation involving this property.

Uniform Residential Loan Application
FD-1003 (Rev. 8/98)

VI. ASSETS AND LIABILITIES (continued)

Assets	Liabilities and Pledged Assets	Monthly Payment to Creditors	Original Balance
Name and address of Bank, S&L, or Credit Union: _____ Account No.: _____ Type of Account: _____	Name and address of Company: _____ Type of Account: _____ Original Balance: _____	\$	\$
Name and address of Bank, S&L, or Credit Union: _____ Account No.: _____ Type of Account: _____	Name and address of Company: _____ Type of Account: _____ Original Balance: _____	\$	\$
Name and address of Bank, S&L, or Credit Union: _____ Account No.: _____ Type of Account: _____	Name and address of Company: _____ Type of Account: _____ Original Balance: _____	\$	\$

Schedule of Real Estate Owned (if additional properties are owned, see instructions above)

Property Address (include S, E, W, NW, NE if parcel size is 1/2 acre or larger)	Type of Property	Present Market Value	Amount of Mortgage & Lien	Other Encumbrances	Storage Encumbrances	Insurance, Mortgages, Taxes or Other	Net Booked Balance
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

List any additional income assets which would be primarily for personal use and not for investment or business purposes:

IX. DETAILS OF TRANSACTION

Item	Amount
Loan Amount	\$175,000.00
Estimated Closing Costs	\$2,750.00
Estimated Monthly Payment	\$1,050.00
Estimated Annual Payment	\$12,600.00
Total Cash Available	\$187,750.00

X. DECLARATIONS

I declare that the information provided in this application is true and correct to the best of my knowledge and belief.

I declare that I am not a party to any other pending or threatened litigation involving this property.

I declare that I am not a party to any other pending or threatened litigation involving this property.

Uniform Residential Loan Application
FD-1003 (Rev. 8/98)

form 1003 - uniform residential loan application (filled-in)

Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower" as applicable. Co-Borrower information must be provided for the applicant(s) who are not the primary borrower(s) for the loan. This form is not to be used as a basis for loan qualification, but for the Lender's use only. The Lender will use the information provided on this form to determine the applicant's creditworthiness and to determine the appropriate interest rate and loan terms. The Lender will use the information provided on this form to determine the applicant's creditworthiness and to determine the appropriate interest rate and loan terms.

If this is an application for joint credit, Borrower and Co-Borrower each agree that he/she is applying for joint credit (sign below).

Borrower Name _____ **Co-Borrower Name** _____

TYPE OF MORTGAGE AND TERMS OF LOAN

Application: VA Conventional Other mortgage Reverse Other

Applied for: 15 Year Fixed Rate 30 Year Fixed Rate ARM (Specify) _____

Annual Interest Rate: 6.500000% 360 Other (Specify) _____

PROPERTY INFORMATION AND PURPOSE OF LOAN

Subject Property Address (street, city, state & ZIP): _____ State of Ohio: _____

Legal Description of Subject Property (include description if necessary): _____ Year built: _____

See Preliminary Title Report

Purpose of Loan: Purchase Construction Other (specify) _____ Property will be: Primary Residence Secondary Residence Investment

Employer Information

Borrower Employer Name: _____ Address: _____ City: _____ State: _____ Zip: _____

Co-Borrower Employer Name: _____ Address: _____ City: _____ State: _____ Zip: _____

FINANCIAL INFORMATION

Borrower Gross Monthly Income: _____ Net Monthly Income: _____

Co-Borrower Gross Monthly Income: _____ Net Monthly Income: _____

Assets and Liabilities

Borrower Assets: _____ Liabilities: _____

Co-Borrower Assets: _____ Liabilities: _____

Other Information

Borrower Other Income: _____

Co-Borrower Other Income: _____

Signature and Date

Borrower _____ **Co-Borrower** _____

Lender ABC Lender

Uniform Residential Loan Application

II. EMPLOYMENT INFORMATION (continued)

Borrower Name & Address of Employer: _____ Date (month - day - year): _____

Co-Borrower Name & Address of Employer: _____ Date (month - day - year): _____

III. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Category	Borrower	Co-Borrower	Total	Conventional Monthly Housing Expense	Present	Proposed
Gross Monthly Income*	\$	\$	\$	\$	\$	\$
Net Monthly Income	\$	\$	\$	\$	\$	\$
Current Monthly Housing Expense	\$	\$	\$	\$	\$	\$
Proposed Monthly Housing Expense	\$	\$	\$	\$	\$	\$
Other Monthly Income	\$	\$	\$	\$	\$	\$
Other Monthly Expense	\$	\$	\$	\$	\$	\$
Other Monthly Expense	\$	\$	\$	\$	\$	\$
Other Monthly Expense	\$	\$	\$	\$	\$	\$
Other Monthly Expense	\$	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$	\$

* Self-Employed Borrowers may be required to provide additional documentation with an income statement and financial statements.

IV. ASSETS AND LIABILITIES

Borrower Assets: _____ Liabilities: _____

Co-Borrower Assets: _____ Liabilities: _____

Other Information

Borrower Other Income: _____

Co-Borrower Other Income: _____

Signature and Date

Borrower _____ **Co-Borrower** _____

Lender ABC Lender

Uniform Residential Loan Application

V. ASSETS AND LIABILITIES (continued)

Asset/Debt Description	Value	Category	Value	Category	Value
Assets					
Liabilities					
Total Assets	\$		\$		\$
Total Liabilities	\$		\$		\$
Total Equity	\$		\$		\$

Schedule of Real Estate Owned (if additional properties are owned, see instructions about it)

Property Address (street, city, state & ZIP)	Type of Property	Present Market Value	Amount of Mortgage & Lien	Other Financial Interest	Storage Expense	Insurance, Maintenance, Taxes or Other	Net Book Value
		\$	\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$	\$
Total		\$	\$	\$	\$	\$	\$

VI. DETAILS OF TRANSACTION

Borrower Loan Amount: 175,000.00

Co-Borrower Loan Amount: _____

Other Information

Borrower Other Income: _____

Co-Borrower Other Income: _____

Signature and Date

Borrower _____ **Co-Borrower** _____

Lender ABC Lender

colorado tangible net benefit disclosure



Colorado Tangible Net Benefit Disclosure

Pursuant to section 12-61-904.5, Colorado Revised Statutes

Borrower Name: _____
Co-Borrower Name: _____
Property Address: _____
Mortgage Broker: _____
Mortgage Broker License #: _____
Date: _____

Section 12-61-904.5(a), C.R.S., states that a mortgage broker shall have a duty of good faith and fair dealing in all communications and transactions with a borrower. Such duty includes the duty to not recommend or induce the borrower to enter into a transaction that does not have a reasonable, tangible net benefit to the borrower, considering all of the circumstances, including the terms of a loan, the cost of a loan, and the borrower's circumstances. This disclosure is designed to assist borrowers and mortgage brokers in determining if a proposed loan has a reasonable, tangible net benefit to the borrower.

I/We understand:

The reasonable, tangible net benefit standard in § 12-61-904.5(1)(a), C.R.S., is inherently dependent upon the totality of facts and circumstances relating to a specific transaction. While the refinancing of certain home loans may clearly provide a reasonable, tangible net benefit, others may require closer scrutiny or consideration to determine whether a particular loan provides the requisite benefit to the borrower.

Purchase Transaction:

* _____ The new loan will enable me to purchase a home or other residential real estate in Colorado.

Refinance Transaction:

- * _____ The new loan will have a lower interest rate or Annual Percentage Rate (APR).
* _____ The new loan will have a lower monthly payment.
* _____ The new loan is a fixed rate loan.
* _____ The new loan is refinancing a loan that permitted negative amortization.
* _____ The new loan will have a shorter amortization schedule.
* _____ The new loan will eliminate the need for private mortgage insurance.
* _____ The new loan will consolidate other loans or current debt.
* _____ The proceeds of the new loan will be used for purposes that are of such importance to me that I am willing to obtain a new loan, even if that loan has terms that may not be as favorable as my existing loan. Examples include, but are not limited to: medical expenses; home improvements; avoid foreclosure; or to pay educational expenses.

Regardless of the purpose of the new loan, we have considered the following:

- * _____ The new loan contains "negative amortization" features. This means that not all interest due is paid monthly and unpaid interest is added to the principal of the loan balance. Negative amortization reduces equity in a home.
* _____ The new loan is an Adjustable Rate Loan. This means that the interest rate is the total of an index plus a margin and is subject to periodic adjustments both up and down depending on the movement of the index. I understand that if the index increases between adjustment dates, the payments may change.
* _____ If the new loan is an ARM, I have considered how long the new monthly payment will be in effect before it adjusts.
* _____ My income, as disclosed on the Uniform Residential Loan Application, Freddie Mac form 65 or Fannie Mae form 1003, attached hereto that will be used to repay the loan, after payment of other household expenses, is sufficient to make the mortgage payments. My disclosed income is stable and is unlikely to be discontinued or reduced.

Use the below space to describe any reasonable, tangible net benefit or additional considerations not contained in this form.

* _____

I/We certify that we have carefully read this disclosure. I/We understand there is no obligation to enter into any proposed loan. I/We agree that the proposed loan has a reasonable, tangible net benefit.

Borrower Signature Date Co-Borrower Signature Date

I am the mortgage broker and I agree that the proposed loan has a reasonable, tangible net benefit to the borrower(s).

Mortgage Broker Printed Name Mortgage Broker Signature Date

* Requires borrower and co-borrower initials when applicable. If not applicable, enter N/A.

Clear Form 2 Email Form



Colorado Lock-in Disclosure Form

Pursuant to sections 12-61-914(2)(d),(f) and (3), Colorado Revised Statutes

THIS FORM DESCRIBES HOW YOU MAY BE OFFERED A LOCK-IN. A LOCK-IN IS AN ARRANGEMENT IN WHICH AN INVESTOR RESERVES A TEASER RATE, PAYMENT RATE AND/OR INTEREST RATE DURING THE LOAN APPLICATION PROCESS FOR A SPECIFIC PERIOD OF TIME WHILE YOUR LOAN APPLICATION IS BEING APPROVED AND CLOSED. WHETHER YOUR LOAN WILL ACTUALLY BE APPROVED AND WILL CLOSE DURING THE TIME PERIOD DEPENDS ON A NUMBER OF CONDITIONS, SOME OF THEM BEYOND THE CONTROL OF YOUR MORTGAGE LOAN ORIGINATOR. TO LEARN MORE ABOUT LOCK-IN AGREEMENTS, PLEASE REVIEW THE FOLLOWING WEBSITE: <http://www.federalreserve.gov/pubs/lockins/default.htm>

If applicable, mortgage brokers shall include the co-borrower.

_____	_____	_____	
Borrower First Name	Borrower Last Name	Date	
_____	_____	_____	
Co-Borrower First Name	Co-Borrower Last Name	Date	
_____	_____	_____	_____
Property Address	City	State	Postal Code

Check applicable boxes:

- I **HAVE** ENTERED INTO A LOCK-IN AGREEMENT WITH YOUR MORTGAGE LENDER
- I HAVE **NOT** ENTERED INTO A LOCK-IN AGREEMENT WITH YOUR MORTGAGE LENDER AND THE RATES AND TERMS ARE SUBJECT TO CHANGE
- THERE IS **NO** LOCK-IN FEE ASSOCIATED WITH THIS LOCK
- THERE **IS** A LOCK-IN FEE ASSOCIATED WITH THIS LOCK
- LOCK-IN FEES ARE **NOT** REFUNDABLE
- LOCK-IN FEES **ARE** REFUNDABLE

LOCK-IN FEES ARE REFUNDABLE UNDER THE FOLLOWING TERMS AND CONDITIONS:

The following shall be completed, pursuant to § 12-61-914(2)(d), (f) and (3), C.R.S., once the interest or payment rate for a loan has been locked. If multiple payment options exist, all options shall be disclosed on this form. All teaser rates, interest rates or payment rates shall be disclosed in the area marked rate. When disclosing payment type, indicate if the rate is a principle and interest, interest only, or negative amortization payment.



Colorado Division of Real Estate

Lock-in Disclosure Form

Interest/Payment Rate:

Teaser/Payment/Interest Rate	Prepayment Penalty (Yes or No)	Length & Cost of Prepayment Penalty	Index	Margin	
Payment Type	Date of Lock-in	Expiration of Lock-in	Fixed Term	Initial Adjustment Cap	Life Cap

Interest/Payment Rate:

Teaser/Payment/Interest Rate	Prepayment Penalty (Yes or No)	Length & Cost of Prepayment Penalty	Index	Margin	
Payment Type	Date of Lock-in	Expiration of Lock-in	Fixed Term	Initial Adjustment Cap	Life Cap

Interest/Payment Rate:

Teaser/Payment/Interest Rate	Prepayment Penalty (Yes or No)	Length & Cost of Prepayment Penalty	Index	Margin	
Payment Type	Date of Lock-in	Expiration of Lock-in	Fixed Term	Initial Adjustment Cap	Life Cap

Interest/Payment Rate:

Teaser/Payment/Interest Rate	Prepayment Penalty (Yes or No)	Length & Cost of Prepayment Penalty	Index	Margin	
Payment Type	Date of Lock-in	Expiration of Lock-in	Fixed Term	Initial Adjustment Cap	Life Cap

I/We certify completion or receipt of this disclosure:

Primary Borrower Signature	Date	Co-Borrower Signature	Date
----------------------------	------	-----------------------	------

Mortgage Loan Originator Printed Name	Mortgage Loan Originator Signature
---------------------------------------	------------------------------------

Mortgage Loan Originator License Number	Date
---	------

Clear Form

colorado mortgage loan originator compensation disclosure



Colorado Mortgage Loan Originator Compensation Disclosure Form

Pursuant to § 12-61-914(2)(c) and 4, Colorado Revised Statutes

Mortgage Loan Originator: _____
Borrower: _____ Co-Borrower: _____
Property Address: _____
Loan Number: _____
Date: _____

This disclosure provides information about the total compensation and commission that is paid, including compensation paid by the funding lender, as the result of the closing of your mortgage loan. This disclosure is based on information currently available.

The compensation is also included in the cost of your proposed loan. The cost of the proposed loan is described on the Good Faith Estimate of Settlement Costs and the Truth in Lending disclosures that will be disclosed after application and before closing. You should review these documents and discuss them with me and/or another mortgage loan originator of your choice to help you understand and compare the cost of your loan with loans offered by others. To learn more about mortgage transactions and financing, please visit the Division of Real Estate's website at www.dora.state.co.us/real-estate.

- 1. I, the mortgage loan originator, am: (check if applicable)
[] An employee of a company that may make you a mortgage loan or may arrange to make you a mortgage loan. Company: _____
[] An individual who may be paid as an independent contractor for my services in originating a mortgage loan.
[] Other (describe) _____
2. (Check if applicable):
[] The total compensation paid may be calculated in part based upon the interest rate and fees charged on your loan. This means, in some cases, that if your loan's interest rate and fees increase, the compensation will increase as a result.
[] I am paid by a salary or other method that is not affected directly by your loan's interest rate and fees.
3. (Check if applicable):
[] The total front end compensation is \$_____. The total back end compensation is \$_____. The total compensation for this transaction is \$_____.
[] At this time, the compensation cannot be determined. As a result, my good faith estimate of the total front end compensation is \$_____ to \$_____. My good faith estimate of the total back end compensation is \$_____ to \$_____. My good faith estimate of the total compensation for this transaction is \$_____ to \$_____.
[] I may receive other forms of compensation related to this transaction. Other compensation may include: _____
4. You may decide to pay upfront closing costs in cash at closing, or from the proceeds of your loan. If you pay these costs at closing, this may generally result in a lower interest rate. In some circumstances, you may also decide to pay the closing costs by agreeing to a slightly higher interest rate and having the closing costs paid by the mortgage lender. Also, in some circumstances, a property seller or third party may agree to pay your upfront closing costs.

I/we acknowledge receipt of this disclosure:

Primary Borrower _____ Date _____ Co-Borrower _____ Date _____
Mortgage Loan Originator Printed Name _____ Mortgage Loan Originator Signature _____ License Number _____ Date _____


Clear Form

section 2

appendix

good faith estimate (empty)

OMB Approval No. 2502-0265



Good Faith Estimate (GFE)

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="font-size: small;">Name of Originator</td></tr> <tr><td style="font-size: small;">Originator Address</td></tr> <tr><td style="font-size: small;">Originator Phone Number</td></tr> <tr><td style="font-size: small;">Originator Email</td></tr> </table>	Name of Originator	Originator Address	Originator Phone Number	Originator Email	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="font-size: small;">Business</td></tr> <tr><td style="font-size: small;">Property Address</td></tr> <tr><td style="font-size: small;">Date of GFE</td></tr> </table>	Business	Property Address	Date of GFE
Name of Originator								
Originator Address								
Originator Phone Number								
Originator Email								
Business								
Property Address								
Date of GFE								

Purpose
This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's Special Information Booklet on settlement charges, your Truth-in-Lending Disclosures, and other consumer information at www.hud.gov/respa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan
Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

- The interest rate for this GFE is available through [] After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
- This estimate for all other settlement charges is available through []
- After you lock your interest rate, you must go to settlement within [] days (your rate lock period) to receive the locked interest rate.
- You must lock the interest rate at least [] days before settlement.

Summary of your loan

Your initial loan amount is	\$
Your loan term is	_____ years
Your initial interest rate is	_____ %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ _____ per month
Can your interest rate rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of _____ % The first change will be in _____
Even if you make payments on time, can your loan balance rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$ _____
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be in _____ and the monthly amount owed can rise to \$ _____. The maximum it can ever rise to is \$ _____.
Does your loan have a prepayment penalty?	<input type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$ _____
Does your loan have a balloon payment?	<input type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ _____ due in _____ years.

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ _____.
Do we require you to have an escrow account for your loan?
 No, you do not have an escrow account. You must pay these charges directly when due.
 Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A Your Adjusted Origination Charges (See page 2)	\$
B Your Charges for All Other Settlement Services (See page 2)	\$
A + B Total Estimated Settlement Charges	\$

Good Faith Estimate (HUD-GFE) 1

Understanding your estimated settlement charges

Some of these charges can change at settlement. See the top of page 3 for more information.

Your Adjusted Origination Charges	
1. Our origination charge This charge is for getting this loan for you.	
2. Your credit or charge (points) for the specific interest rate chosen This charge is for getting this loan for you. <input type="checkbox"/> The credit or charge for the interest rate of _____ % is included in "Our origination charge." (See item 1 above.) <input type="checkbox"/> You receive a credit of \$ _____ for this interest rate of _____ %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ _____ for this interest rate of _____ %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	
A Your Adjusted Origination Charges	\$
Your Charges for All Other Settlement Services	
3. Required services that we select These charges are for services we require to complete your settlement. We will choose the providers of these services. Service: _____ Charge: _____	
4. Title services and lender's title insurance This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	
5. Owner's title insurance You may purchase an owner's title insurance policy to protect your interest in the property.	
6. Required services that you can shop for These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below. Service: _____ Charge: _____	
7. Government recording charges These charges are for state and local fees to record your loan and title documents.	
8. Transfer taxes These charges are for state and local fees on mortgages and home sales.	
9. Initial deposit for your escrow account This charge is held in an escrow account to pay future recurring charges on your property and includes <input type="checkbox"/> all property taxes, <input type="checkbox"/> all insurance, and <input type="checkbox"/> other _____.	
10. Daily interest charges This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ _____ per day for _____ days if your settlement is []	
11. Homeowner's insurance This charge is for the insurance you must buy for the property to protect from a loss, such as fire. Policy: _____ Charge: _____	
B Your Charges for All Other Settlement Services	\$
A + B Total Estimated Settlement Charges	\$

Good Faith Estimate (HUD-GFE) 2

good faith estimate (empty)

Instructions

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement	The total of these charges can increase up to 10% at settlement	These charges can change at settlement
<ul style="list-style-type: none"> • Our origination charge • Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate) • Your adjusted origination charges (after you lock in your interest rate) • Transfer taxes 	<ul style="list-style-type: none"> • Required services that we select • Title services and lender's title insurance (if we select them or you use companies we identify) • Owner's title insurance (if you use companies we identify) • Required services that you can shop for (if you use companies we identify) • Government recording charges 	<ul style="list-style-type: none"> • Required services that you can shop for (if you do not use companies we identify) • Title services and lender's title insurance (if you do not use companies we identify) • Owner's title insurance (if you do not use companies we identify) • Initial deposit for your escrow account • Daily interest charges • Homeowner's insurance

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE. Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$	\$	\$
Your initial interest rate	%	%	%
Your initial monthly amount owed	\$	\$	\$
Change in the monthly amount owed from this GFE	No change	You will pay \$ more every month	You will pay \$ less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$	Your settlement charges will increase by \$
How much your total estimated settlement charges will be	\$	\$	\$

For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.

Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name				
Initial loan amount				
Loan term				
Initial interest rate				
Initial monthly amount owed				
Rate lock period				
Can interest rate rise?				
Can loan balance rise?				
Can monthly amount owed rise?				
Prepayment penalty?				
Balloon payment?				
Total Estimated Settlement Charges				

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.


Good Faith Estimate (HUD-GFE) 3

section 2

good faith estimate (filled-in)

appendix

CMB Approval No. 2502-0265



Good Faith Estimate (GFE)

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="font-size: small;">Name of Originator</td><td>ABC Broker</td></tr> <tr><td style="font-size: small;">Originator Address</td><td>456 Main Street Somewhere, USA 00000</td></tr> <tr><td style="font-size: small;">Originator Phone Number</td><td>111-222-3333</td></tr> <tr><td style="font-size: small;">Originator Email</td><td>originator@ABC lender.com</td></tr> </table>	Name of Originator	ABC Broker	Originator Address	456 Main Street Somewhere, USA 00000	Originator Phone Number	111-222-3333	Originator Email	originator@ABC lender.com	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="font-size: small;">Borrower</td><td>Bob Borrower</td></tr> <tr><td style="font-size: small;">Property Address</td><td>123 Main Street Anywhere, USA 00000</td></tr> <tr><td style="font-size: small;">Date of GFE</td><td>April 1, 2009</td></tr> </table>	Borrower	Bob Borrower	Property Address	123 Main Street Anywhere, USA 00000	Date of GFE	April 1, 2009
Name of Originator	ABC Broker														
Originator Address	456 Main Street Somewhere, USA 00000														
Originator Phone Number	111-222-3333														
Originator Email	originator@ABC lender.com														
Borrower	Bob Borrower														
Property Address	123 Main Street Anywhere, USA 00000														
Date of GFE	April 1, 2009														

Purpose
This GFE gives you an estimate of your settlement charges and loan terms if you are approved for this loan. For more information, see HUD's Special Information Booklet on settlement charges, your Truth-in-Lending Disclosures, and other consumer information at www.hud.gov/resa. If you decide you would like to proceed with this loan, contact us.

Shopping for your loan
Only you can shop for the best loan for you. Compare this GFE with other loan offers, so you can find the best loan. Use the shopping chart on page 3 to compare all the offers you receive.

Important dates

- The interest rate for this GFE is available through **4/1/09 @ 4:00 pm**. After this time, the interest rate, some of your loan Origination Charges, and the monthly payment shown below can change until you lock your interest rate.
- This estimate for all other settlement charges is available through **4/17/09**.
- After you lock your interest rate, you must go to settlement within **30** days (your rate lock period) to receive the locked interest rate.
- You must lock the interest rate at least **15** days before settlement.

Summary of your loan

Your initial loan amount is	\$ 294,066.00
Your loan term is	30 years
Your initial interest rate is	5.0 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 1,713.98 per month
Can your interest rate rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of % The first change will be in
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of \$
Even if you make payments on time, can your monthly amount owed for principal, interest, and any mortgage insurance rise?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be in and the monthly amount owed can rise to \$. The maximum it can ever rise to is \$
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is \$
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of \$ due in years

Escrow account information

Some lenders require an escrow account to hold funds for paying property taxes or other property-related charges in addition to your monthly amount owed of \$ **1,713.98**.

Do we require you to have an escrow account for your loan?
 No, you do not have an escrow account. You must pay these charges directly when due.
 Yes, you have an escrow account. It may or may not cover all of these charges. Ask us.

Summary of your settlement charges

A Your Adjusted Origination Charges (See page 2)	\$ 3,750.00
B Your Charges for All Other Settlement Services (See page 2)	\$ 9,751.44
A + B Total Estimated Settlement Charges	\$ 13,501.44

Good Faith Estimate (HUD-GFE) 1

Understanding your estimated settlement charges

Some of these charges can change at settlement. See the top of page 3 for more information.

Your Adjusted Origination Charges	
1. Our origination charge. This charge is for getting this loan for you.	\$6,750.00
2. Your credit or charge (points) for the specific interest rate chosen. This charge is for the interest rate of <input type="checkbox"/> % is included in "Our origination charge." (See item 1 above.) <input checked="" type="checkbox"/> You receive a credit of \$ 3,000.00 for this interest rate of <input type="checkbox"/> 5.0 %. This credit reduces your settlement charges. <input type="checkbox"/> You pay a charge of \$ <input type="checkbox"/> for this interest rate of <input type="checkbox"/> %. This charge (points) increases your total settlement charges. The tradeoff table on page 3 shows that you can change your total settlement charges by choosing a different interest rate for this loan.	-\$3,000.00
A Your Adjusted Origination Charges	\$ 3,750.00
Your Charges for All Other Settlement Services	
3. Required services that we select. These charges are for services we require to complete your settlement. We will choose the providers of these services.	\$5,392.25
Service	Charge
Appraisal/Credit Report	\$220.00
Tax Service/Title Certification	\$543.12
Upfront Mortgage Insurance Premium	\$5,029.13
4. Title services and lender's title insurance. This charge includes the services of a title or settlement agent, for example, and title insurance to protect the lender, if required.	\$925.00
5. Owner's title insurance. You may purchase an owner's title insurance policy to protect your interest in the property.	\$725.00
6. Required services that you can shop for. These charges are for other services that are required to complete your settlement. We can identify providers of these services or you can shop for them yourself. Our estimates for providing these services are below.	\$295.00
Service	Charge
Survey	\$250.00
Plot inspection	\$45.00
7. Government recording charges. These charges are for state and local fees to record your loan and title documents.	\$50.00
8. Transfer taxes. These charges are for state and local fees on mortgages and home sales.	\$1,368.00
9. Initial deposit for your escrow account. This charge is held in an escrow account to pay future recurring charges on your property and includes <input checked="" type="checkbox"/> all property taxes, <input type="checkbox"/> all insurance, and <input type="checkbox"/> other <input type="checkbox"/> .	\$306.60
10. Daily interest charges. This charge is for the daily interest on your loan from the day of your settlement until the first day of the next month or the first day of your normal mortgage payment cycle. This amount is \$ 39.59 per day for <input type="checkbox"/> days (if your settlement is <input type="checkbox"/> 4/31/09).	\$39.59
11. Homeowner's insurance. This charge is for the insurance you must buy for the property to protect from a loss, such as fire.	\$650.00
Policy	Charge
Insure-U	\$650.00
B Your Charges for All Other Settlement Services	\$ 9,751.44
A + B Total Estimated Settlement Charges	\$ 13,501.44

Good Faith Estimate (HUD-GFE) 2

good faith estimate (filled-in)

Instructions

This GFE estimates your settlement charges. At your settlement, you will receive a HUD-1, a form that lists your actual costs. Compare the charges on the HUD-1 with the charges on this GFE. Charges can change if you select your own provider and do not use the companies we identify. (See below for details.)

These charges cannot increase at settlement	The total of these charges can increase up to 10% at settlement	These charges can change at settlement
<ul style="list-style-type: none"> Our origination charge Your credit or charge (points) for the specific interest rate chosen (after you lock in your interest rate) Your adjusted origination charges (after you lock in your interest rate) Transfer taxes 	<ul style="list-style-type: none"> Required services that we select Title services and lender's title insurance (if we select them or you use companies we identify) Owner's title insurance (if you use companies we identify) Required services that you can shop for (if you use companies we identify) Government recording charges 	<ul style="list-style-type: none"> Required services that you can shop for (if you do not use companies we identify) Title services and lender's title insurance (if you do not use companies we identify) Owner's title insurance (if you do not use companies we identify) Initial deposit for your escrow account Daily interest charges Homeowner's insurance

Understanding which charges can change at settlement

Using the tradeoff table

In this GFE, we offered you this loan with a particular interest rate and estimated settlement charges. However:

- If you want to choose this same loan with **lower settlement charges**, then you will have a **higher interest rate**.
- If you want to choose this same loan with a **lower interest rate**, then you will have **higher settlement charges**.

If you would like to choose an available option, you must ask us for a new GFE. Loan originators have the option to complete this table. Please ask for additional information if the table is not completed.

	The loan in this GFE	The same loan with lower settlement charges	The same loan with a lower interest rate
Your initial loan amount	\$ 294,566.00	\$ 294,566.00	\$ 294,566.00
Your initial interest rate	4.2 %	4.9 %	4.2 %
Your initial monthly amount owed	\$ 1,713.98	\$ 1,898.66	\$ 1,652.11
Change in the monthly amount owed from this GFE	No change	You will pay \$ 184.78 more every month	You will pay \$ 88.77 less every month
Change in the amount you will pay at settlement with this interest rate	No change	Your settlement charges will be reduced by \$ 1,500.00	Your settlement charges will increase by \$ 1,500.00
How much your total estimated settlement charges will be	\$ 13,501.44	\$ 12,051.44	\$ 15,051.44

For an adjustable rate loan, the comparisons above are for the initial interest rate before adjustments are made.


Using the shopping chart

Use this chart to compare GFEs from different loan originators. Fill in the information by using a different column for each GFE you receive. By comparing loan offers, you can shop for the best loan.

	This loan	Loan 2	Loan 3	Loan 4
Loan originator name	ABC Broker			
Initial loan amount	294,566.00			
Loan term	30 years			
Initial interest rate	4.2			
Initial monthly amount owed	\$1,713.98			
Rate lock period	30 days			
Can interest rate rise?	no			
Can loan balance rise?	no			
Can monthly amount owed rise?	no			
Prepayment penalty?	no			
Balloon payment?	no			
Total Estimated Settlement Charges	\$13,501.44			

If your loan is sold in the future

Some lenders may sell your loan after settlement. Any fees lenders receive in the future cannot change the loan you receive or the charges you paid at settlement.

 Good Faith Estimate (HUD-GFE) 3

federal truth-in-lending disclosure statement

FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENT
(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

Applicants: _____ Prepared By: _____

Property Address: _____

Application No: _____ Date Prepared: _____

Check box if applicable:

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate	FINANCE CHARGE The dollar amount the credit will cost you	Amount Financed The amount of credit provided to you or on your behalf	Total of Payments The amount you will have paid after making all payments as scheduled
%	\$	\$	\$

REQUIRED DEPOSIT: The annual percentage rate does not take into account your required deposit
PAYMENTS: Your payment schedule will be:

Number of Payments	Amount of Payments**	When Payments Are Due	Number of Payments	Amount of Payments**	When Payments Are Due	Number of Payments	Amount of Payments**	When Payments Are Due

DEMAND FEATURE: This obligation has a demand feature.

VARIABLE RATE FEATURE: This loan contains a variable rate feature. A variable rate disclosure has been provided earlier.

CREDIT LIFE/CREDIT DISABILITY: Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. X
Credit Disability		I want credit disability insurance. X
Credit Life and Disability		I want credit life and disability insurance. X

INSURANCE: The following insurance is required to obtain credit:
 Credit life insurance Credit disability Property insurance Flood insurance
 You may obtain the insurance from anyone you want that is acceptable to creditor
 If you purchase property flood insurance from creditor you will pay \$ _____ for a one year term.

SECURITY: You are giving a security interest in:
 The goods or property being purchased Real property you already own.

FILING FEES: \$ _____

LATE CHARGE: If a payment is more than _____ days late, you will be charged _____ %

PREPAYMENT: If you pay off early, you
 may will not have to pay a penalty.
 may will not be entitled to a refund of part of the finance charge.

ASSUMPTION: Someone buying your property
 may may, subject to conditions may not assume the remainder of your loan on the original terms.

deed of trust

After Recording Return To:

[Space Above This Line For Recording Data]

DEED OF TRUST

DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

(A) "Security Instrument" means this document, which is dated _____, together with all Riders to this document.

(B) "Borrower" is _____.
Borrower is the trustor under this Security Instrument.

(C) "Lender" is _____.
Lender is a _____ organized and existing under the laws of _____.
Lender's address is _____.
Lender is the beneficiary under this Security Instrument.

(D) "Trustee" is the Public Trustee of _____ County, Colorado.

(E) "Note" means the promissory note signed by Borrower and dated _____.
The Note states that Borrower owes Lender _____ Dollars (U.S. \$ _____) plus interest. Borrower has promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than _____.

(F) "Property" means the property that is described below under the heading "Transfer of Rights in the Property."

(G) "Loan" means the debt evidenced by the Note, plus interest, any prepayment charges and late charges due under the Note, and all sums due under this Security Instrument, plus interest.

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(H) "Riders" means all Riders to this Security Instrument that are executed by Borrower. The following Riders are to be executed by Borrower [check box as applicable]:

Adjustable Rate Rider Condominium Rider Second Home Rider
 Balloon Rider Planned Unit Development Rider Other(s) [specify] _____
 1-4 Family Rider Biweekly Payment Rider

(I) "Applicable Law" means all controlling applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.

(J) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.

(K) "Electronic Funds Transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.

(L) "Escrow Items" means those items that are described in Section 3.

(M) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverages described in Section 5) for: (i) damage to, or destruction of, the Property; (ii) condemnation or other taking of all or any part of the Property; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the value and/or condition of the Property.

(N) "Mortgage Insurance" means insurance protecting Lender against the nonpayment of, or default on, the Loan.

(O) "Periodic Payment" means the regularly scheduled amount due for (i) principal and interest under the Note, plus (ii) any amounts under Section 3 of this Security Instrument.

(P) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. §2601 et seq.) and its implementing regulation, Regulation X (24 C.F.R. Part 3500), as they might be amended from time to time, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Instrument, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan does not qualify as a "federally related mortgage loan" under RESPA.

(Q) "Successor in Interest of Borrower" means any party that has taken title to the Property, whether or not that party has assumed Borrower's obligations under the Note and/or this Security Instrument.

TRANSFER OF RIGHTS IN THE PROPERTY

This Security Instrument secures to Lender: (i) the repayment of the Loan, and all renewals, extensions and modifications of the Note; and (ii) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower, in consideration of the debt and the trust herein created, irrevocably grants and conveys to Trustee,

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in trust, with power of sale, the following described property located in the _____ of _____:

[Type of Recording Jurisdiction] [Name of Recording Jurisdiction]

which currently has the address of _____ [Street] _____, Colorado _____ ("Property Address");
 _____ [City] _____ [Zip Code]

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record and liens for taxes for the current year not yet due and payable.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. **Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges.** Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and any prepayment charges and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity; or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 15. Lender may return any payment or partial payment if the payment or partial payment is insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver of any rights hereunder or

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prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

2. **Application of Payments or Proceeds.** Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: (a) interest due under the Note; (b) principal due under the Note; (c) amounts due under Section 3. Such payments shall be applied to each Periodic Payment in the order in which it became due. Any remaining amounts shall be applied first to late charges, second to any other amounts due under this Security Instrument, and then to reduce the principal balance of the Note. If Lender receives a payment from Borrower for a delinquent Periodic Payment which includes a sufficient amount to pay any late charge due, the payment may be applied to the delinquent payment and the late charge. If more than one Periodic Payment is outstanding, Lender may apply any payment received from Borrower to the repayment of the Periodic Payments if, and to the extent that, each payment can be paid in full. To the extent that any excess exists after the payment is applied to the full payment of one or more Periodic Payments, such excess may be applied to any late charges due. Voluntary prepayments shall be applied first to any prepayment charges and then as described in the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments.

3. **Funds for Escrow Items.** Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums in accordance with the provisions of Section 10. These items are called "Escrow Items." At origination or at any time during the term of the Loan, Lender may require that Community Association Dues, Fees, and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be an Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow Items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts evidencing such payment within such time period as Lender may require. Borrower's obligation to make such

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payments and to provide receipts shall for all purposes be deemed to be a covenant and agreement contained in this Security Instrument, as the phrase "covenant and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and pay such amount and Borrower shall then be obligated under Section 9 to repay to Lender any such amount. Lender may revoke the waiver as to any or all Escrow Items at any time by a notice given in accordance with Section 15 and, upon such revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender to apply the Funds at the time specified under RESPA, and (b) not to exceed the maximum amount a Lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with Applicable Law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items no later than the time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and Applicable Law permits Lender to make such a charge. Unless an agreement is made in writing or Applicable Law requires interest to be paid on the Funds, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds as required by RESPA.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the shortage in accordance with RESPA, but in no more than 12 monthly payments. If there is a deficiency of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the deficiency in accordance with RESPA, but in no more than 12 monthly payments.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the Property which can attain priority over this Security Instrument, leasehold payments or ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any. To the extent that these items are Escrow Items, Borrower shall pay them in the manner provided in Section 3.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, but only so long as Borrower is performing such agreement; (b) contests the lien in good faith, or defends against enforcement of the lien in legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien while those proceedings are pending, but only until such proceedings are concluded; or (c) secures from

the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which can attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within 10 days of the date on which that notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth above in this Section 4.

Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or reporting service used by Lender in connection with this Loan.

5. Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and any other hazards including, but not limited to, earthquakes and floods, for which Lender requires insurance. This insurance shall be maintained in the amounts (including deductible levels) and for the periods that Lender requires. What Lender requires pursuant to the preceding sentences can change during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised unreasonably. Lender may require Borrower to pay, in connection with this Loan, either: (a) a one-time charge for flood zone determination, certification and tracking services; or (b) a one-time charge for flood zone determination and certification services and subsequent charges each time remappings or similar changes occur which reasonably might affect such determination or certification. Borrower shall also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency in connection with the review of any flood zone determination resulting from an objection by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower. Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, shall be applied to restoration or repair of the Property, if the

restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

6. Occupancy. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control.

7. Preservation, Maintenance and Protection of the Property; Inspections. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not Borrower is residing in the Property, Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the Property only if Lender has released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

Lender or its agent may make reasonable entries upon and inspections of the Property. If it has reasonable cause, Lender may inspect the interior of the improvements on the Property.

Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

8. Borrower's Loan Application. Borrower shall be in default if, during the Loan application process, Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Property as Borrower's principal residence.

9. Protection of Lender's Interest in the Property and Rights Under this Security Instrument. If (a) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Security Instrument, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

10. Mortgage Insurance. If Lender required Mortgage Insurance as a condition of making the Loan, Borrower shall pay the premiums required to maintain Mortgage Insurance in effect. If, for any reason, the Mortgage Insurance coverage required by Lender ceases to be available from the mortgage insurer that previously provided such insurance and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the Mortgage Insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the Mortgage Insurance previously in effect, from an alternate mortgage insurer selected by Lender. If substantially equivalent Mortgage Insurance coverage is not available, Borrower shall continue to pay to Lender the amount of the separately designated payments that were due when

deed of trust

the insurance coverage ceased to be in effect. Lender will accept, use and retain these payments as a non-refundable loss reserve in lieu of Mortgage Insurance. Such loss reserve shall be non-refundable, notwithstanding the fact that the Loan is ultimately paid in full, and Lender shall not be required to pay Borrower any interest or earnings on such loss reserve. Lender can no longer require loss reserve payments if Mortgage Insurance coverage (in the amount and for the period that Lender requires) provided by an insurer selected by Lender again becomes available, is obtained, and Lender requires separately designated payments toward the premiums for Mortgage Insurance. If Lender requires Mortgage Insurance as a condition of making the Loan and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to maintain Mortgage Insurance in effect, or to provide a non-refundable loss reserve, until Lender's requirement for Mortgage Insurance ends in accordance with any written agreement between Borrower and Lender providing for such termination or until termination is required by Applicable Law. Nothing in this Section 10 affects Borrower's obligation to pay interest at the rate provided in the Note.

Mortgage Insurance reimburses Lender (or any entity that purchases the Note) for certain losses it may incur if Borrower does not repay the Loan as agreed. Borrower is not a party to the Mortgage Insurance.

Mortgage insurers evaluate their total risk on all such insurance in force from time to time, and may enter into agreements with other parties that share or modify their risk, or reduce losses. These agreements are on terms and conditions that are satisfactory to the mortgage insurer and the other party (or parties) to these agreements. These agreements may require the mortgage insurer to make payments using any source of funds that the mortgage insurer may have available (which may include funds obtained from Mortgage Insurance premiums).

As a result of these agreements, Lender, any purchaser of the Note, another insurer, any reinsurer, any other entity, or any affiliate of any of the foregoing, may receive (directly or indirectly) amounts that derive from (or might be characterized as) a portion of Borrower's payments for Mortgage Insurance, in exchange for sharing or modifying the mortgage insurer's risk, or reducing losses. If such agreement provides that an affiliate of Lender takes a share of the insurer's risk in exchange for a share of the premiums paid to the insurer, the arrangement is often termed "captive reinsurance." Further:

(a) Any such agreements will not affect the amounts that Borrower has agreed to pay for Mortgage Insurance, or any other terms of the Loan. Such agreements will not increase the amount Borrower will owe for Mortgage Insurance, and they will not entitle Borrower to any refund.

(b) Any such agreements will not affect the rights Borrower has - if any - with respect to the Mortgage Insurance under the Homeowners Protection Act of 1998 or any other law. These rights may include the right to receive certain disclosures, to request and obtain cancellation of the Mortgage Insurance, to have the Mortgage Insurance terminated automatically, and/or to receive a refund of any Mortgage Insurance premiums that were unearned at the time of such cancellation or termination.

11. **Assignment of Miscellaneous Proceeds; Forfeiture.** All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous Proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such

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Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance shall be paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next section) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

COLORADO-Single Family-Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3006 1/01 (page 10 of 16 pages)

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.

12. **Borrower Not Released; Forbearance By Lender Not a Waiver.** Extension of the time for payment or modification or amortization of the sums secured by this Security Instrument granted by Lender to Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or any Successors in Interest of Borrower. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or any Successors in Interest of Borrower. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third persons, entities or Successors in Interest of Borrower or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

13. **Joint and Several Liability; Co-signers; Successors and Assigns Bound.** Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several. However, any Borrower who co-signs this Security Instrument but does not execute the Note (a "co-signer"): (a) is co-signing this Security Instrument only to mortgage, grant and convey the co-signer's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower can agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signer's consent.

Subject to the provisions of Section 18, any Successor in Interest of Borrower who assumes Borrower's obligations under this Security Instrument in writing, and is approved by Lender, shall obtain all of Borrower's rights and benefits under this Security Instrument. Borrower shall not be released from Borrower's obligations and liability under this Security Instrument unless Lender agrees to such release in writing. The covenants and agreements of this Security Instrument shall bind (except as provided in Section 20) and benefit the successors and assigns of Lender.

14. **Loan Charges.** Lender may charge Borrower fees for services performed in connection with Borrower's default, for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument, including, but not limited to, attorneys' fees, property inspection and valuation fees. In regard to any other fees, the absence of express authority in this Security Instrument to charge a specific fee to Borrower shall not be construed as a prohibition on the charging of such fee. Lender may not charge fees that are expressly prohibited by this Security Instrument or by Applicable Law.

If the Loan is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the Loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge (whether or not a prepayment charge is provided for under the Note). Borrower's acceptance of any such refund made by direct payment to Borrower

COLORADO-Single Family-Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3006 1/01 (page 11 of 16 pages)

will constitute a waiver of any right of action Borrower might have arising out of such overcharge.

15. **Notices.** All notices given by Borrower or Lender in connection with this Security Instrument must be in writing. Any notice to Borrower in connection with this Security Instrument shall be deemed to have been given to Borrower when mailed by first class mail or when actually delivered to Borrower's notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless Applicable Law expressly requires otherwise. The notice address shall be the Property Address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. If Lender specifies a procedure for reporting Borrower's change of address, then Borrower shall only report a change of address through that specified procedure. There may be only one designated notice address under this Security Instrument at any one time. Any notice to Lender shall be given by delivering it or by mailing it by first class mail to Lender's address stated herein unless Lender has designated another address by notice to Borrower. Any notice in connection with this Security Instrument shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Security Instrument is also required under Applicable Law, the Applicable Law requirement will satisfy the corresponding requirement under this Security Instrument.

16. **Governing Law; Severability; Rules of Construction.** This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. In the event that any provision or clause of this Security Instrument or the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision.

As used in this Security Instrument: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

17. **Borrower's Copy.** Borrower shall be given one copy of the Note and of this Security Instrument.

18. **Transfer of the Property or a Beneficial Interest in Borrower.** As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in

COLORADO-Single Family-Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3006 1/01 (page 12 of 16 pages)

deed of trust

accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

19. Borrower's Right to Reinstate After Acceleration. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) such other period as Applicable Law might specify for the termination of Borrower's right to reinstate; or (c) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or (d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 18.

20. Sale of Note; Change of Loan Servicer; Notice of Grievance. The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

Neither Borrower nor Lender may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that arises from the other party's actions pursuant to this Security Instrument or that alleges that the other party has breached any provision of, or any duty owed by reason of, this Security Instrument, until such Borrower or Lender has notified the other party (with such notice given in compliance with the requirements of Section 15) of such alleged breach and afforded the other party hereto a reasonable period after the giving of such notice to take corrective action. If Applicable Law provides a time period

which must elapse before certain action can be taken, that time period will be deemed to be reasonable for purposes of this paragraph. The notice of acceleration and opportunity to cure given to Borrower pursuant to Section 22 and the notice of acceleration given to Borrower pursuant to Section 18 shall be deemed to satisfy the notice and opportunity to take corrective action provisions of this Section 20.

21. Hazardous Substances. As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (b) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and (d) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (a) that is in violation of any Environmental Law, (b) which creates an Environmental Condition, or (c) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, hazardous substances in consumer products).

Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of release of any Hazardous Substance, and (c) any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

22. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 18 unless Applicable Law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security

Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to assert in the foreclosure proceeding the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall give written notice to Trustee of the occurrence of an event of default and of Lender's election to cause the Property to be sold. Lender shall mail a copy of the notice to Borrower as provided in Section 15. Trustee shall record a copy of the notice in the county in which the Property is located. Trustee shall publish a notice of sale for the time and in the manner provided by Applicable Law and shall mail copies of the notice of sale in the manner prescribed by Applicable Law to Borrower and to the other persons prescribed by Applicable Law. After the time required by Applicable Law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's certificate describing the Property and the time the purchaser will be entitled to Trustee's deed. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

23. Release. Upon payment of all sums secured by this Security Instrument, Lender shall request that Trustee release this Security Instrument and shall produce for Trustee, duly cancelled, all notes evidencing debts secured by this Security Instrument. Trustee shall release this Security Instrument without further inquiry or liability. Borrower shall pay any recordation costs and the statutory Trustee's fees.

24. Waiver of Homestead. Borrower waives all right of homestead exemption in the Property.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any Rider executed by Borrower and recorded with it.

Witnesses:

 (Seal)
 - Borrower

 (Seal)
 - Borrower

[Space Below This Line For Acknowledgment]

appendix

section 2

note (promissory note)

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

_____ (Seal)
- Borrower

_____ (Seal)
- Borrower

_____ (Seal)
- Borrower

[Sign Original Only]


MULTISTATE FIXED RATE NOTE—Single Family—Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3200 1/01 (page 3 of 3 pages)

section 2

appendix

hud-1 settlement statement (empty)

OMB Approval No. 2502-0045


A. Settlement Statement (HUD-1)

B. Type of Loan		3. File Number:		7. Loan Number:		8. Mortgage Insurance Case Number:	
<input type="checkbox"/> FHA	<input type="checkbox"/> VA	<input type="checkbox"/> Cono. Lend.					
<input type="checkbox"/> SA	<input type="checkbox"/> Conv. Fin.						

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "To or From Seller" were paid outside the closing they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower:		E. Name & Address of Seller:		F. Name & Address of Lender:	
G. Property Location:		H. Settlement Agent:		I. Settlement Date:	
		Place of Settlement:			

J. Summary of Borrower's Transaction		K. Summary of Seller's Transaction	
100. Gross Amount Due from Borrower		400. Gross Amount Due to Seller	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403. Settlement charges to seller (line 1400)	
104.		404.	
105.		405.	
Adjustment for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due from Borrower		420. Gross Amount Due to Seller	
200. Amounts Paid by or in Behalf of Borrower		500. Reductions in Amount Due to Seller	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid by/for Borrower		520. Total Reduction Amount Due Seller	
300. Cash at Settlement from/for Borrower		600. Cash at Settlement from Seller	
301. Gross amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)		602. Less reductions in amount due seller (line 520)	
303. Cash <input type="checkbox"/> From <input type="checkbox"/> To Borrower		603. Cash <input type="checkbox"/> To <input type="checkbox"/> From Seller	

The Public Reporting Burden for this collection of information is estimated to average 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured. This disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

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L. Settlement Charges					
700. Total Real Estate Broker Fees					
Division of commission (line 700) as follows:					
701. \$		to		Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
702. \$		to			
703. Commission paid at settlement					
704.					
800. Items Payable in Connection with Loan					
801. Our origination charge	\$			(from GFE #1)	
802. Your credit or charge (points) for the specific interest rate chosen	\$			(from GFE #2)	
803. Your adjusted origination charges				(from GFE A)	
804. Appraisal fee to				(from GFE #3)	
805. Credit report to				(from GFE #3)	
806. Tax service to				(from GFE #3)	
807. Flood certification				(from GFE #3)	
808.					
900. Items Required by Lender to Be Paid in Advance					
901. Daily interest charges from to @ \$ /day				(from GFE #10)	
902. Mortgage insurance premium for months to				(from GFE #8)	
903. Homeowner's insurance for years to				(from GFE #11)	
904.					
1000. Reserves Deposited with Lender					
1001. Initial deposit for your escrow account				(from GFE #9)	
1002. Homeowner's insurance	months @ \$	per month	\$		
1003. Mortgage insurance	months @ \$	per month	\$		
1004. Property taxes	months @ \$	per month	\$		
1005.	months @ \$	per month	\$		
1006.	months @ \$	per month	\$		
1007. Aggregate Adjustment			-\$		
1100. Title Charges					
1101. Title services and lender's title insurance				(from GFE #4)	
1102. Settlement or closing fee	\$				
1103. Owner's title insurance				(from GFE #5)	
1104. Lender's title insurance	\$				
1105. Lender's title policy limit \$					
1106. Owner's title policy limit \$					
1107. Agent's portion of the total title insurance premium	\$				
1108. Underwriter's portion of the total title insurance premium	\$				
1200. Government Recording and Transfer Charges					
1201. Government recording charges				(from GFE #7)	
1202. Deed \$ Mortgage \$	Released \$				
1203. Transfer taxes				(from GFE #8)	
1204. City/County tax/stamps	Deed \$ Mortgage \$				
1205. State tax/stamps	Deed \$ Mortgage \$				
1206.					
1300. Additional Settlement Charges					
1301. Required services that you can shop for				(from GFE #6)	
1302.	\$				
1303.	\$				
1304.					
1305.					
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)					

Previous editions are obsolete Page 2 of 3 HUD-1

section 2

appendix

hud-1 settlement statement (filled-in)

Print Form

OMB Approval No. 2502-0045

A. Settlement Statement (HUD-1)

B. Type of Loan

<input checked="" type="checkbox"/> FHA	<input type="checkbox"/> VA	<input type="checkbox"/> USFS	<input type="checkbox"/> Cono. Loans	B. File Number:	C. Loan Number:	D. Mortgage Insurance Case Number:
<input type="checkbox"/> SA	<input type="checkbox"/> SA	<input type="checkbox"/> Cono. Yrs.		11111	22222222	249-00000000

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "9-a-c" were paid outside the closing they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower: Bob Borrower 123 Main Street Anywhere, USA 00000	E. Name & Address of Seller: Samantha Seller 456 Home Place Anywhere, USA 00000	F. Name & Address of Lender: XYZ Lender 456 Main Street Somewhere, USA 00000
G. Property Location: 456 Home Place Anywhere, USA 00000 Lot 12, Blk 2, Great View Subdivision	H. Settlement Agent: Title Town USA Place of Settlement: 222 Your Corner, Any Town, USA 00000	I. Settlement Date: May 8, 2009

J. Summary of Borrower's Transaction	K. Summary of Seller's Transaction
100. Gross Amount Due from Borrower 101. Contract sales price \$300,000.00 102. Personal property 103. Settlement charges to borrower (line 1400) \$14,358.85 104. 105. Adjustment for items paid by seller in advance 106. City/town taxes to 107. County taxes to 108. Assessments to 109. 110. 111. 112. 100. Gross Amount Due from Borrower \$314,358.75 200. Amounts Paid by or in Behalf of Borrower 201. Deposit or earnest money \$2,000.00 202. Principal amount of new loan(s) \$294,594.00 203. Existing loan(s) taken subject to 204. 205. 206. Seller credit for transfer taxes \$1,368.00 207. 208. 209. Adjustments for items unpaid by seller 210. City/town taxes to 211. County taxes to 212. Assessments to 213. 214. 215. 216. 217. 218. 219. 200. Total Paid by/for Borrower 300. Cash at Settlement from/for Borrower 301. Gross amount due from borrower (line 100) \$314,358.85 302. Less amounts paid by/for borrower (line 200) (\$297,934.00) 303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower \$16,424.85	400. Gross Amount Due to Seller 401. Contract sales price \$300,000.00 402. Personal property 403. 404. 405. Adjustments for items paid by seller in advance 406. City/town taxes to 407. County taxes to 408. Assessments to 409. 410. 411. 412. 400. Gross Amount Due to Seller \$300,000.00 500. Reductions in Amount Due to Seller 501. Excess deposit (see instructions) 502. Settlement charges to seller (line 1400) \$18,228.00 503. Existing loan(s) taken subject to 504. Payoff of first mortgage loan \$247,000.00 505. Payoff of second mortgage loan 506. Earnest money deposit \$2,000.00 507. Seller credit for transfer taxes \$1,368.00 508. 509. Adjustments for items unpaid by seller 510. City/town taxes to 511. County taxes to 512. Assessments to 513. 514. 515. 516. 517. 518. 519. 500. Total Reduction Amount Due Seller 600. Cash at Settlement to/from Seller 601. Gross amount due to seller (line 400) \$300,000.00 602. Less reductions in amount due seller (line 500) (\$266,596.00) 603. Cash <input checked="" type="checkbox"/> To <input type="checkbox"/> From Seller \$31,404.00

The Public Reporting Burden for this collection of information is estimated to average 35 minutes per response for collecting, reviewing, and reporting the data. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. No confidentiality is assured. This disclosure is mandatory. This is designed to provide the parties to a RESPA covered transaction with information during the settlement process.

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L. Settlement Charges

700. Total Real Estate Broker Fees	Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 703) as follows:		
701. \$ 9,360.00 to RE #1		
702. \$ 9,360.00 to RE #2		
703. Commission paid at settlement		\$16,720.00
704. Earnest money deposit held by RE #2 \$2,000 P.O.C.		
800. Items Payable in Connection with Loan		
801. Our origination charge ABC Broker/XYZ Lender \$6,250 (from GFE #1)		
802. Your credit or charge (points) for the specific interest rate chosen \$3,000 (from GFE #2)		
803. Your adjusted origination charges ABC Broker/XYZ Lender (from GFE A) \$3,250.00		
804. Appraisal fee to Appraisal Company (from GFE #3) \$250.00		
805. Credit report to Credit Report Company (from GFE #3) \$40.00		
806. Tax service to Tax Service Company (from GFE #3) \$76.00		
807. Flood certification Flood Certification Company (from GFE #3) \$12.00		
808.		
900. Items Required by Lender to Be Paid in Advance		
901. Daily interest charges from 9/31 @ \$39.59/day (from GFE #10) \$910.57		
902. Mortgage insurance premium for 12 months to FHA (from GFE #3) \$5,066.25		
903. Homeowner's insurance for 1 years to Future-It (from GFE #11) \$600.00		
904.		
1000. Reserves Deposited with Lender		
1001. Initial deposit for your escrow account (from GFE #9) \$516.00		
1002. Homeowner's insurance 1 months @ \$50.00 per month \$50.00		
1003. Mortgage insurance 1 months @ \$132.69 per month \$132.69		
1004. Property taxes 3 months @ \$166.67 per month \$500.01		
1005. months @ \$ per month \$		
1006. months @ \$ per month \$		
1007. Aggregate Adjustment -\$166.67		
1100. Title Charges		
1101. Title services and lender's title insurance (from GFE #4) \$925.00		
1102. Settlement or closing fee Title Town USA \$		\$125.00
1103. Owner's title insurance Title Town USA/Title Underwriter (from GFE #3) \$725.00		
1104. Lender's title insurance Title Town USA/Title Underwriter \$175.00		
1105. Lender's title policy limit \$294,566		
1106. Owner's title policy limit \$300,000		
1107. Agent's portion of the total title insurance premium \$720.00 to Title		
1108. Underwriter's portion of the total title insurance premium \$185.00 to Title		
1200. Government Recording and Transfer Charges		
1201. Government recording charge (from GFE #7) \$50.00		
1202. Deed \$25.00 Mortgage \$25.00 Release \$15.00 (from GFE #7) \$65.00		15.00
1203. Transfer taxes (from GFE #8) \$1,368.00		\$1,368.00
1204. City/County tax/stamps Deed \$684.00 Mortgage \$684.00		
1205. State tax/stamps Deed \$684.00 Mortgage \$684.00		
1206.		
1300. Additional Settlement Charges		
1301. Required services that you can skip for (from GFE #6) \$270.00		
1302. Survey to Measure-It \$225.00		
1303. Pest inspection to Rid-A-Bug \$45.00		
1304. Home warranty to Home Warranty Company \$300.00		
1305.		
1400. Total Settlement Charges (enter on lines 103, Section J and 500, Section K)	\$14,358.85	\$18,228.00

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appendix

section 2

hud-1 settlement statement (filled-in)

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges		Good Faith Estimate	HUD-1
Charges That Cannot Increase			
Our origination charge	# 801	\$6750.00	\$6,250.00
Your credit or charge (points) for the specific interest rate chosen	# 802	-\$3,000.00	-\$3,000.00
Your adjusted origination charges	# 803	\$3,750.00	\$3,250.00
Transfer taxes	#1203	\$1,368.00	\$1,368.00
Charges That in Total Cannot Increase More Than 10%			
Government recording charges	# 1201	\$50.00	\$50.00
Appraisal	# 804	\$220.00	\$250.00
Credit Report	# 805	\$40.00	\$40.00
Tax Service Fee	# 806	\$54.00	\$76.00
Flood Certification	# 807	\$12.00	\$12.00
Up-front Mortgage Insurance Premium	# 902	\$5,066.25	\$5,066.25
Title services & lender's title insurance	# 1101	\$925.00	\$925.00
Owner's title insurance	# 1103	\$725.00	\$725.00
Total		\$7,092.25	\$7,144.25
Increase between GFE and HUD-1 Charges		\$ 52.00	or .8 %
Charges That Can Change			
Initial deposit for your escrow account	#1001	\$306.00	\$516.00
Daily interest charges	# 901 \$39.59 /day	\$39.58	\$910.57
Homeowner's insurance	# 903	\$650.00	\$600.00
Survey	# 1302	\$250.00	\$225.00
Pest inspection	# 1303	\$45.00	\$45.00
	#		

Loan Terms	
Your initial loan amount is	\$ 294,566
Your loan term is	30 years
Your initial interest rate is	5.1 %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$ 1,713.98 includes <input checked="" type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input checked="" type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of _____%. The first change will be on _____ and can change again every _____ after _____ Every change date, your interest rate can increase or decrease by _____%. Over the life of the loan, your interest rate is guaranteed to never be lower than _____% or higher than _____%.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of \$ _____.
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, the first increase can be on _____ and the monthly amount owed can rise to \$ _____ The maximum it can ever rise to is \$ _____.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, your maximum prepayment penalty is \$ _____.
Does your loan have a balloon payment?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, you have a balloon payment of \$ _____ due in _____ years on _____.
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input checked="" type="checkbox"/> You have an additional monthly escrow payment of \$ 216.67 that results in a total initial monthly amount owed of \$ 1,930.65 . This includes principal, interest, any mortgage insurance and any items checked below: <input checked="" type="checkbox"/> Property taxes <input type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> _____ <input type="checkbox"/> _____

Note: If you have any questions about the Settlement Charges and Loan Terms listed on this form, please contact your lender.

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contract to buy and sell real estate

7.2. Copies of Exclusions, or on before Title Deadline (8.2.3), Seller, at Seller's expense, shall furnish to Buyer and (1) copies of any plans, declarations, covenants, conditions and restrictions burdening the Property, and (2) if a Title Commitment is required to be furnished, and if box is checked, Copies of any Other Documents (not, if applicable, summaries of such documents) listed in the schedule of exceptions (Exceptions). Even if the box is not checked, Seller shall have the obligation to furnish these documents pursuant to this section if requested by Buyer any time on or before Document Request Deadline (8.2.3). This requirement shall pertain only to documents as shown of record in the office of the clerk and recorder in the county where the Property is located. The abstract or Title Commitment, together with any copies or summaries of such documents furnished pursuant to this section, constitute the title documents (Title Documents).

7.3. Survey. Before Survey Deadline (8.2.3), Seller Buyer shall order or provide, and cause Buyer (and the issuer of the Title Commitment or the provider of the opinion of title of an abstract) to receive, a current Improvement Survey Plat Improvement Location Certificate (the description checked is known as Survey). An amount not to exceed _____ for Survey shall be paid by Buyer Seller. If the cost exceeds this amount, Buyer Seller shall pay the excess on or before Closing. Buyer shall not be obligated to pay the excess unless Buyer is informed of the cost and delivers to Seller, before Survey is ordered, Buyer's written agreement to pay the required amount, and to Buyer.

7.4. Common Interest Community Documents. The term CIC Documents consists of all owners' associations (Association) declarations, bylaws, operating agreements, rules and regulations, party wall agreements, minutes of most recent annual owners' meeting and minutes of any directors or managers' meetings during the six-month period immediately preceding the date of this Contract, if any (Governing Documents), most recent financial statements consisting of (1) annual balance sheet, (2) annual income and expenditures statement, and (3) annual budget (Financial Documents), if any (collectively CIC Documents).

7.4.1. Not Applicable. This § 7.4 shall not apply.

7.4.2. Common Interest Community Disclosure. THE PROPERTY IS LOCATED WITHIN A COMMON INTEREST COMMUNITY AND IS SUBJECT TO THE DECLARATION FOR SUCH COMMUNITY. THE OWNER OF THE PROPERTY WILL BE REQUIRED TO BE A MEMBER OF THE OWNER'S ASSOCIATION FOR THE COMMUNITY AND WILL BE SUBJECT TO THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS WILL IMPOSE FINANCIAL OBLIGATIONS UPON THE OWNER OF THE PROPERTY, INCLUDING AN OBLIGATION TO PAY ASSESSMENTS OF THE ASSOCIATION. IF THE OWNER DOES NOT PAY THESE ASSESSMENTS, THE ASSOCIATION COULD PLACE A LIEN ON THE PROPERTY AND POSSIBLY SELL IT TO PAY THE DEBT. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS OF THE COMMUNITY MAY PROHIBIT THE OWNER FROM MAKING CHANGES TO THE PROPERTY WITHOUT AN ARCHITECTURAL REVIEW BY THE ASSOCIATION (OR A COMMITTEE OF THE ASSOCIATION) AND THE APPROVAL OF THE ASSOCIATION. PURCHASERS OF PROPERTY WITHIN THE COMMON INTEREST COMMUNITY SHOULD INVESTIGATE THE FINANCIAL OBLIGATIONS OF MEMBERS OF THE ASSOCIATION. PURCHASERS SHOULD CAREFULLY READ THE DECLARATION FOR THE COMMUNITY AND THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION.

7.4.3. Not Conditional on Review. Buyer acknowledges that Buyer has received a copy of the CIC Documents. Buyer has read these, agrees to accept the benefits, obligations and restrictions that they impose upon the Property and its owners and waives any right to terminate this Contract due to Buyer's non-compliance with the provisions of 8.5.

7.4.4. CIC Documents to Buyer.

Seller to Provide CIC Documents. Seller shall cause the CIC Documents to be provided to Buyer, at Seller's expense, on or before **Closing Disclosure Deadline (8.2.3)**.

Seller Authorizes Association. Seller authorizes the Association to provide the CIC Documents to Buyer, at Seller's expense.

7.4.4.3. Seller's Obligation. Seller's obligation to provide the CIC Documents shall be fulfilled upon Buyer's receipt of the CIC Documents, regardless of who provides such documents.

7.4.5. Conditional on Buyer's Review. If the box in either 7.4.4.1 or 7.4.4.2 is checked, the provisions of this 7.4.5 shall apply.

7.4.5.1. Written notice of any unsatisfactory provision in any of the CIC Documents, in Buyer's subjective discretion, signed by Buyer, or on behalf of Buyer, and delivered to Seller before **Inspection Objectives Deadline (8.2.3)**, shall terminate this Contract.

7.4.5.2. Should Buyer receive the CIC Documents after **Closing Disclosure Deadline (8.2.3)**, Buyer shall have the right, at Buyer's option, to terminate this Contract by written notice delivered to Seller on or before ten days after Buyer's receipt of the CIC Documents. If Buyer does not receive the CIC Documents, or if such written notice to terminate would otherwise be required to be delivered after **Closing Date (8.2.3)**, Buyer's written notice to terminate shall be received by Seller on or before three days prior to **Closing Date (8.2.3)**. If Seller does not receive written notice from Buyer within such time, Buyer accepts the provisions of the CIC Documents, and Buyer's right to terminate this Contract pursuant to this section is waived, notwithstanding the provisions of 8.5.1.

NOTE: If no box in this 7.4 is checked, the provisions of 7.4.4.1 shall apply.

8. TITLE AND SURVEY REVIEW.

8.1. Title Review. Buyer shall have the right to inspect the Title Documents. Buyer shall provide written notice of unmarketability of title, unsatisfactory form or content of Title Commitment, or, notwithstanding § 13.1, of any other unsatisfactory title condition shown by the Title Documents (Noting that Title Documents shall be signed by or on behalf of Buyer and delivered to Seller on or before **Title Objectives Deadline (8.2.3)**), to Seller on or before **Title Objectives Deadline (8.2.3)**. The new Title Documents are received by Buyer in a timely manner. If there is an endorsement to the Title Commitment that adds a new exception to title, a copy of the new exception to title and the modified Title Commitment shall be delivered to Buyer. Provided however, Buyer shall have five days to deliver the Notice of Title Objection after receipt by Buyer of the following documents: (1) any required Title Documents and (2) any endorsement to the Title Commitment. If Seller does not receive Buyer's Notice of Title Objection by the applicable deadline specified above, Buyer accepts the condition of title as disclosed by the Title Documents as satisfactory.

8.2. Matters Not Shown by the Public Records. Seller shall deliver to Buyer, on or before **Off-Record Matters Deadline (8.2.3)** true copies of all lesser surveys in existence pertaining to the Property and shall disclose to Buyer all encumbrances, liens (including, without limitation, governmental improvements approved, but not yet installed) or other title matters (including, without limitation, rights of first refusal and options) not shown by the public records of which Buyer is actual knowledge. Buyer shall have the right to inspect the Property to investigate if any third party has shown by the public records, such as an unrecorded easement, unrecorded lien, boundary line discrepancy or water rights). Written notice of any unsatisfactory condition disclosed by Seller or revealed by such inspection, notwithstanding

§ 13, shall be signed by or on behalf of Buyer and delivered to Seller on or before **Off-Record Matters Objectives Deadline (8.2.3)**. If Seller does not receive Buyer's notice by said deadline, Buyer accepts title subject to such rights, if any, of third parties of which Buyer has actual knowledge.

8.3. Survey Review.

8.3.1. Not Applicable. This § 8.3 shall not apply.

8.3.2. Conditional on Survey. If the box in this § 8.3.2 is checked, Buyer shall have the right to inspect the Survey. If written notice is given by or on behalf of Buyer of any unsatisfactory condition shown by the Survey, notwithstanding § 8.2 or 13, is received by Seller on or before **Survey Objectives Deadline (8.2.3)** then such objection shall be deemed an unsatisfactory title condition. If Seller does not receive Buyer's notice by **Survey Objectives Deadline (8.2.3)**, Buyer accepts the Survey as satisfactory.

8.4. Special Taxing Districts. SPECIAL TAXING DISTRICTS MAY BE SUBJECT TO GENERAL OBLIGATION INDEBTEDNESS THAT IS PAID BY REVENUES PRODUCED FROM ANNUAL TAX LEVIES ON THE TAXABLE PROPERTY WITHIN SUCH DISTRICTS. PROPERTY OWNERS IN SUCH DISTRICTS MAY BE PLACED AT RISK FOR INCREASED MILL LEVIES AND TAX TO SUPPORT THE SERVICING OF SUCH DEBT WHERE CIRCUMSTANCES ARISE RESULTING IN THE INABILITY OF SUCH A DISTRICT TO DISCHARGE SUCH INDEBTEDNESS WITHOUT SUCH AN INCREASE IN MILL LEVIES. BUYERS SHOULD INVESTIGATE THE SPECIAL TAXING DISTRICTS IN WHICH THE PROPERTY IS LOCATED BY CONTACTING THE COUNTY TREASURER, BY REVIEWING THE CERTIFICATE OF TAXES DUE FOR THE PROPERTY, AND BY OBTAINING FURTHER INFORMATION FROM THE BOARD OF COUNTY COMMISSIONERS, THE COUNTY CLERK AND RECORDER, OR THE COUNTY ASSESSOR.

If the event the Property is located within a special taxing district and Buyer desires to terminate this Contract as a result, if written notice, by Seller or on behalf of Buyer, is received by Seller on or before **Off-Record Matters Objectives Deadline (8.2.3)**, this Contract shall terminate. If Seller does not receive Buyer's notice by such deadline, Buyer accepts the effect of the Property's inclusion in such special taxing district and waives the right to terminate for that reason.

8.5. Right to Object. Cure. Buyer's right to object shall include, but not be limited to, those matters set forth in §§ 8.1, 8.2 and 8.3. Seller receives notice of unmarketability of title or any other unsatisfactory title condition or commitment terms as provided in §§ 8.1, 8.2 and 8.3. Seller shall use reasonable efforts to correct said items and bear any nominal expense to correct the same prior to Closing. If such unsatisfactory title condition is not corrected to Buyer's satisfaction on or before Closing, this Contract shall terminate; provided, however, Buyer may, by written notice received by Seller on or before Closing, waive objections to such items.

8.6. Right of First Refusal or Contract Approval. If there is a right of first refusal on the Property, or a right to approve this Contract, Seller shall promptly submit to Contract according to the terms and conditions of such right. If the holder of the right of first refusal exercises such right or the holder of a right to approve disapproves this Contract, this Contract shall terminate. If the right of first refusal is waived explicitly or expires, or the Contract is approved, this Contract shall remain in full force and effect. Seller shall promptly notify Buyer of the foregoing. If expiration or waiver of the right of first refusal or Contract approval has not occurred on or before **Right of First Refusal Deadline (8.2.3)**, this Contract shall terminate.

8.7. Title Advisory. The Title Documents affect the title, ownership and use of the Property, and shall be reviewed carefully. Additionally, Buyer shall review the title, ownership and use of the Property, including without limitation, boundary lines and encroachments, area, zoning, unrecorded easements and claims of easements, leases and other unrecorded agreements, and various laws and governmental regulations concerning land use, development and environmental matters. The surface estate may be owned separately from the subsurface estate and may not necessarily include: mineral rights, mineral interests, oil, gas, other minerals, geothermal energy or water or on under the Property, which may be excluded from an act covered by the title insurance policy. Buyer is advised to timely consult legal counsel with respect to all such matters as there are strict time limits provided in this Contract (e.g., **Title Objectives Deadline (8.2.3)** and **Off-Record Matters Objectives Deadline (8.2.3)**).

9. LEAD-BASED PAINT. Unless exempt, if the improvements on the Property include one or more residential dwellings for which a building permit was issued prior to January 1, 1978, this Contract shall be void unless (1) a completed Lead-Based Paint Disclosure (Sales) form is signed by Buyer, the required lead paint licenses and Buyer, and (2) Seller receives the completed and fully executed form prior to the time when the Contract is signed by all parties. Buyer acknowledges timely receipt of a completed Lead-Based Paint Disclosure (Sales) form signed by Seller and the real estate licensee.

10. PROPERTY DISCLOSURE, INSPECTION, INDEMNITY, INSURABILITY, BUYER DISCLOSURE AND SOURCE OF WATER.

10.1. Seller's Property Disclosure Deadline. On or before Seller's Property Disclosure Deadline (8.2.3), Seller agrees to deliver to Buyer the most current version of the applicable Colorado Real Estate Commission's Seller's Property Disclosure form completed by Seller to the best of Seller's actual knowledge, current as of the date of this Contract.

10.2. Inspection Objectives Deadline. Buyer shall have the right to have inspections of the physical condition of both the Property and Inclusions, at Buyer's expense, of the physical condition of the Property, (2) the physical condition of the Inclusions, (3) any proposed or existing transportation project, road, street or highway, or (4) any other activity, order or noise (whether on or off the Property) and its effect or impact on the Property or its occupants as instructed in Buyer's subjective discretion. Buyer shall, on or before **Inspection Objectives Deadline (8.2.3)**.

10.2.1. Notice to Terminate. Notifier Seller is writing that this Contract is terminated, or

10.2.2. Notice to Correct. Deliver to Seller a written description of any unsatisfactory physical condition which Buyer requires Seller to correct.

If written notice is not received by Seller on or before **Inspection Objectives Deadline (8.2.3)**, the physical condition of the Property and Inclusions shall be deemed to be satisfactory to Buyer.

10.3. Inspection Resolution Deadline. If a Notice to Correct is received by Seller and if Buyer and Seller have not agreed in writing to a settlement (throughout the applicable **Closing Disclosure Deadline (8.2.3)**), this Contract keeps term one day following **Inspection Objectives Deadline (8.2.3)**, unless before such termination Seller receives Buyer's written withdrawal of the Notice to Correct.

10.4. Damage, Lien and Indemnity. Buyer, except as otherwise provided in this Contract, is responsible for payment for all inspections, tests, surveys, appraisals or other work performed at Buyer's request (work) and shall pay for any damage that occurs to the Property and Inclusions as a result of such work. Buyer shall not permit claims or liens of any kind against the Property for work performed on the Property at Buyer's request. Buyer agrees to indemnify, protect and hold Seller harmless from and against any liability, damage, cost, expense incurred by Seller and caused by any such work, claim, or lien. This indemnity includes Seller's right to recover all costs and expenses incurred by Seller

defend against any such liability, damage, cost or expense, or to enforce this section, including Seller's reasonable attorney and legal fees. The provisions of this section shall survive the termination or expiration of this Contract.

10.5. Insurability. This Contract is conditional upon Seller's satisfaction, in Buyer's subjective discretion, with the availability, terms and conditions of and premium for property insurance. This Contract shall terminate upon Seller's receipt, on or before **Property Insurance Objectives Deadline (8.2.3)**, of a written notice from Buyer that the insurance was not satisfactory. If no such notice is timely received, Buyer shall have waived any right to terminate under this provision.

10.6. Buyer Disclosure. Buyer represents that Buyer Does Does not need to sell and close a property to complete this transaction.

10.7. Source of Potable Water (Residential Land and Residential Improvements Only). Buyer Does Does not acknowledge receipt of a copy of the Property Disclosure or Summary of Water Adversity disclosing the source of potable water for the Property. Buyer Does Does not acknowledge receipt of a copy of the current well permit. There is No Well.

10.8. SOME WATER PROVIDERS RELY ON VARYING DEGREES ON NONRENEWABLE GROUND WATER. YOU MAY WANT TO CONTACT YOUR WATER PROVIDER (OR INVESTIGATE THE DISCREPANCY) TO DETERMINE THE LONG-TERM SUFFICIENCY OF THE PROVIDER'S WATER SUPPLY.

10.9. Carbon Monoxide Alarm. Note: If the improvements on the Property have a fuel-fired furnace or appliance, a fireplace, or an attached garage and include one or more bedrooms lawfully used for sleeping purposes (Bedrooms), the parties acknowledge that Colorado law requires that Seller assure the Property has an operational carbon monoxide alarm installed within fifteen feet of the entrance to each Bedroom or in a location as required by the applicable building code.

11. METHAMPHETAMINE DISCLOSURE (Residential Property Only). If the Property is residential, and Seller knows that methamphetamine was ever manufactured, processed, cooked, disposed of, used or stored at the Property, Seller is required to disclose such fact. No disclosure is required if the Property was remediated in accordance with state standards and other requirements are fulfilled pursuant to § 25-18-5102, C.R.S. Buyer further acknowledges that Buyer has the right to engage a certified biologist or industrial hygienist to test whether the Property has ever been used as a methamphetamine laboratory. If Buyer's test results indicate that the Property has been contaminated with methamphetamine, but has not been remediated to meet the standards established by the State Board of Health promulgated pursuant to § 25-18-5102, C.R.S., Buyer shall promptly give written notice to Seller of the results of the test, and Buyer may terminate this Contract, notwithstanding any other provision of this Contract.

12. CLOSING. Delivery of deed from Seller to Buyer shall be at closing (Closing). Closing shall be on the date specified as the **Closing Date (8.2.3)** by mutual agreement at an earlier date. The hour and place of Closing shall be as designated by _____.

13. TRANSFER OF TITLE. Subject to tender or payment at Closing as required herein and compliance by Buyer with the other terms and provisions hereof, Seller shall execute and deliver a good and sufficient _____ deed to Buyer, a Closing, conveying the Property free and clear of all taxes except the general taxes for the year of Closing. Except as provided herein, title shall be conveyed free and clear of all liens, including any governmental liens for special improvements installed as of the date of Buyer's signature hereon, whether assessed or not. Title shall be conveyed subject to:

13.1. those specific Exceptions described by reference to recorded documents as reflected in the Title Documents accepted by Buyer in accordance with **Title Review (8.1)**.

13.2. distribution utility easements (including cable TV).

13.3. those specifically described rights of third parties not shown by the public records of which Buyer has actual knowledge and which were accepted by Buyer in accordance with **Matters Not Shown by the Public Records (8.2.3)** and **Survey Review (8.3.3)**.

13.4. inclusion of the Property within any special taxing district, and

13.5. other _____.

14. PAYMENT OF ENCUMBRANCES. Any encumbrance required to be paid shall be paid at or before Closing from the proceeds of this transaction or from any other source.

15. CLOSING COSTS, DOCUMENTS AND SERVICES.

15.1. Good Funds. Buyer and Seller shall pay, in Good Funds, their respective closing costs and all other items required to be paid at Closing, except as otherwise provided herein.

15.2. Closing Information and Documents. Buyer and Seller will furnish any additional information and documents required by Closing Company that will be necessary to complete this transaction. Buyer and Seller shall sign and complete all customary or reasonably required documents at or before Closing.

15.3. Closing Services Fee. The fee for real estate closing services shall be paid at Closing by Buyer Seller One-Half by Buyer and One-Half by Seller Other _____.

15.4. Closing Instructions. Buyer and Seller agree to execute the Colorado Real Estate Commission's Closing Instructions. Such Closing Instructions Are Are not executed with this Contract. Upon execution, Seller Buyer shall deliver such Closing Instructions to the Closing Company.

15.5. States Letter and Transfer Fees. Any fees incident to the issuance of Association's statement of assessments (States Letter) shall be paid by Buyer Seller One-Half by Buyer and One-Half by Seller. Any transfer fees assessed by the Association (Association's Transfer Fee) shall be paid by Buyer Seller One-Half by Buyer and One-Half by Seller.

15.6. Local Transfer Tax. The Local Transfer Tax of _____ % of the Purchase Price shall be paid by Buyer Seller One-Half by Buyer and One-Half by Seller Other _____.

15.7. Sales and Use Tax. Any sales and use tax that may accrue because of this transaction shall be paid when due by Buyer Seller One-Half by Buyer and One-Half by Seller Other _____.

16. PRORATIONS. The following shall be prorated to Closing Date (8.2.3), except as otherwise provided:

16.1. Taxes. Personal property taxes, if any, and general real estate taxes for the year of Closing, based on Taxes for the Calendar Year Immediately Preceding Closing Most Recent Mill Levy and Most Recent Assessed Valuation, adjusted by any applicable qualifying services property tax exemption, or Other _____.

16.2. Rents. Rents based on Rents Actually Received Accrued. At Closing, Seller shall transfer or credit to Buyer the security deposits for all leases assigned, or any remainder after lawful deductions, and notify all tenants in writing of such transfer and of the transferor's name and address. Seller shall assign to Buyer all leases in effect at Closing and Buyer shall assume such leases.

16.3. Association Assessments. Current regular Association assessments and dues (Association Assessments) paid in advance shall be credited to Seller at Closing. Cash reserves held for the regular Association Assessments for deferred maintenance by the Association shall not be credited to Seller except as may be otherwise provided by the Governing Documents. Any special assessment by the Association for improvements that have been installed as of the date of Buyer's signature hereon shall be the obligation of Seller. Any other special assessment assessed prior to Closing Date (8.2.3) by the Association shall be the obligation of Seller. Seller represents that the Association Assessments are currently payable at \$ _____ per _____ and that there are no unpaid regular or special assessments assessed prior to Closing Date (8.2.3) by the Association. Such assessments shall be subject to change as provided in the Governing Documents. Seller agrees to promptly request the Association to deliver to Buyer before **Closing Date (8.2.3)** a current States Letter.

16.4. Final Settlement. Water and sewer charges, interest on continuing loan, and _____.

16.5. Final Settlement. Unless otherwise agreed in writing, these prorations shall be final.

17. POSSESSION. Possession of the Property shall be delivered to Buyer on **Possession Date at Possession Time (8.2.3)**, subject to the following leases or tenancies:

17.1. If Seller, after Closing, fails to deliver possession as specified, Seller shall be subject to eviction and shall be additionally liable to Buyer for payment of \$ _____ per day (or any part of a day) notwithstanding § 2.5.1) until **Possession Date and Possession Time (8.2.3)** until possession is delivered.

Buyer Does Does not represent that Buyer will occupy the Property as Buyer's principal residence.

18. ASSIGNABILITY AND INDEMNITY. This Contract Shall Shall not be assignable by Buyer without Seller's prior written consent. Except as so restricted, this Contract shall inure to the benefit of and be binding upon the heirs, personal representatives, successors and assigns of the parties.

19. CASES OF LOSS, INSURANCE, CONDITION OF, DAMAGE TO PROPERTY AND INCLUSIONS AND WALK-THROUGH.

Except as otherwise provided in this Contract, the Property, Inclusions or both shall be delivered in the condition existing as of the date of this Contract, ordinary wear and tear excepted.

19.1. Cases of Loss, Insurance. In the event the Property or Inclusions are damaged by fire, other perils or causes of loss prior to Closing in an amount of not more than ten percent of the total Purchase Price, Seller shall be obligated to repair or cause for repair of such loss. In the event such damage is not repaired within said time or if the damage exceeds such sum, this Contract may be terminated at the option of Buyer by delivering to Seller written notice of termination on or before Closing. Should Buyer elect to carry out this Contract despite such damage, Buyer shall be entitled to a credit at Closing for all insurance proceeds that were received by Seller (but not the Association, if any) resulting from such damage to the Property and Inclusions, plus the amount of any deductible provided for in such insurance policy. Such credit shall not exceed the Purchase Price. In the event Seller has not received such insurance proceeds prior to Closing, then Seller shall assign such proceeds at Closing, plus credit Buyer the amount of any deductible provided for in such insurance policy, but not to exceed the total Purchase Price.

19.2. Damage, Inclusions and Services. Should any Inclusion or service (including systems and components of the Property, e.g. heating, plumbing) fail or be damaged between the date of this Contract and Closing or possession, whichever be earlier, then Seller shall be liable for the repair or replacement of such Inclusion or service with a unit of similar size, age and quality, or an equivalent credit, but only to the extent that the maintenance or replacement of such Inclusion, service or fixture is not the responsibility of the Association, if any. If any insurance proceeds received by Buyer covering such repair or replacement, Seller and Buyer are aware of the existence of pre-owned home warranty programs that may be purchased and may cover the repair or replacement of such Inclusions. The risk of loss for damage to growing crops by fire or other casualty shall be borne by the party entitled to the growing crops as provided in § 8.1.1, and such party shall be entitled to such insurance proceeds or benefit for the growing crops.

19.3. Walk-Through and Verification of Condition. Buyer, upon reasonable notice, shall have the right to walk through the Property prior to Closing to verify that the physical condition of the Property and Inclusions complies with this Contract.

20. RECOMMENDATION OF LEGAL AND TAX COUNSEL. By signing this document, Buyer and Seller acknowledge that the respective broker has advised that this document has important legal consequences and has recommended the examination of title and consultation with legal and tax or other counsel before signing this Contract.

21. TIME OF ESSENCE, DEFAULT AND REMEDIES. Time is of the essence hereof, or if any notice hereof is not furnished as performed or waived as herein provided, then the following remedies:

21.1. If Buyer is in Default.

21.1.1. Specific Performance. Seller may elect to treat this Contract as canceled, in which case all Earnest Money (whether or not paid) by Buyer shall be forfeited by Buyer, paid to Seller and retained by Seller, and Seller may recover such damages as may be proper, or Seller may elect to treat this Contract as being in full force and effect and Seller shall have the right to specific performance or damages, or both.

21.1.2. Liquidated Damages. All Earnest Money (whether or not paid by Buyer) shall be forfeited by Buyer, paid to Seller, and retained by Seller. Both parties shall be released from all obligations hereunder. It is agreed that the Earnest Money specified in § 8.1.1, LIQUIDATED DAMAGES, and not a penalty, which amount the parties agree is fair and reasonable and (except as provided in §§ 10.4, 19.2, 23 and 24), said forfeiture shall be SELLER'S SOLE AND ONLY REMEDY for Buyer's failure to perform the obligations of this Contract. Seller expressly waives any right to recover specific performance and additional damages.

21.2. If Seller is in Default. Buyer may elect to treat this Contract as canceled, in which case all Earnest Money received hereunder shall be returned to Buyer. Buyer may recover such damages as may be proper, or Buyer may elect to treat this Contract as being in full force and effect and Buyer shall have the right to specific performance or damages, or both.

22. LEGAL FEES, COST AND EXPENSES. In the event of any arbitration or litigation relating to this Contract, prior to or after **Closing Date (8.2.3)**, the arbitrator or court shall award to the prevailing party all reasonable costs and expenses, including attorney and legal fees.

section 3

contract to buy and sell real estate

appendix

485 **23. MEDIATION.** If a dispute arises relating to this Contract, prior to or after Closing, and is not resolved, the parties shall first proceed in good
486 faith to submit the matter to mediation. Mediation is a process in which the parties meet with an impartial person who helps to resolve the dispute
487 informally and confidentially. Mediators cannot impose binding decisions. The parties to the dispute must agree, in writing, before any settlement is
488 binding. The parties will jointly appoint an acceptable mediator and will share equally in the cost of such mediation. The mediation, unless
489 otherwise agreed, shall terminate in the event the entire dispute is not resolved within thirty days of the date written notice requesting mediation is
490 delivered by one party to the other at the party's last known address. This section shall not alter any date in this Contract, unless otherwise agreed.

491 **24. EARNEST MONEY DISPUTE.** Except as otherwise provided herein, Earnest Money Holder shall release the Earnest Money as directed by
492 written mutual instructions, signed by both Buyer and Seller. In the event of any controversy regarding the Earnest Money (notwithstanding any
493 termination of this Contract), Earnest Money Holder shall not be required to take any action. Earnest Money Holder, at its option and sole
494 discretion, may (1) await any proceeding, (2) interplead all parties and deposit Earnest Money into a court of competent jurisdiction and shall
495 recover court costs and reasonable attorney and legal fees, or (3) provide notice to Buyer and Seller that unless Earnest Money Holder receives a
496 copy of the Summons and Complaint or Claim (between Buyer and Seller) containing the case number of the lawsuit (Lawsuit) within one hundred
497 twenty days of Earnest Money Holder's notice to the parties, Earnest Money Holder shall be authorized to return the Earnest Money to Buyer. In
498 the event Earnest Money Holder does receive a copy of the Lawsuit, and has not interplead the monies at the time of any Order, Earnest Money
499 Holder shall disburse the Earnest Money pursuant to the Order of the Court. The parties reaffirm the obligation of **Mediation** (§ 23). The provisions
500 of this § 24 apply only if the Earnest Money Holder is one of the Brokerage Firms named in § 34 or § 35.

501 **25. TERMINATION.** In the event this Contract is terminated, all Earnest Money received hereunder shall be returned and the parties shall be
502 relieved of all obligations hereunder, subject to §§ 10.4, 23 and 24.

503 **26. ADDITIONAL PROVISIONS.** (The following additional provisions have not been approved by the Colorado Real Estate Commission.)
504
505
506

507 **27. ATTACHMENTS.** The following are a part of this Contract:
508
509
510 Note: The following disclosure forms are attached but are not a part of this Contract:
511
512

513 **28. GOOD FAITH.** Buyer and Seller acknowledge that each party has an obligation to act in good faith, including but not limited to exercising
514 the rights and obligations set forth in the provisions of **Financing Conditions and Obligations** (§ 5) and **Property Disclosure, Inspection,**
515 **Indemnity, Liability, Buyer Disclosure and Source of Water** (¶ 10).

516 **29. ENTIRE AGREEMENT, MODIFICATION, SURVIVAL.** This Contract, its exhibits and specified addenda, constitute the entire
517 agreement between the parties relating to the subject hereof, and any prior agreements pertaining thereto, whether oral or written, have been merged
518 and integrated into this Contract. No subsequent modification of any of the terms of this Contract shall be valid, binding upon the parties, or
519 enforceable unless made in writing and signed by the parties. Any obligation in this Contract that, by its terms, is intended to be performed after
520 termination or Closing shall survive the same.

521 **30. COLORADO FORECLOSURE PROTECTION ACT.** If the Colorado Foreclosure Protection Act (Act) applies, then a different contract
522 that complies with the provisions of the Act is required, and this Contract shall be void and of no effect. The Act generally requires that (1) the
523 Property is residential, (2) any loan secured by the Property is at least thirty days delinquent or in default, (3) Buyer does not reside in the Property
524 for at least one year and (4) Buyer is subject to the Act. Buyer Will Will Not occupy the Property as Buyer's personal residence for at least
525 one year. The parties are further advised to consult with their own attorney.

526 **31. NOTICE, DELIVERY, AND CHOICE OF LAW.**
527 **31.1. Physical Delivery.** All notices must be in writing, except as provided in § 31.2. Any document, including a signed document or
528 notice, delivered to Buyer shall be effective when physically received by Buyer, any signator on behalf of Buyer, any named individual of Buyer,
529 any representative of Buyer, or Brokerage Firm of Broker working with Buyer (except for delivery, after Closing, of the notice requesting
530 mediation described in § 23) and except as provided in § 31.2 below. Any document, including a signed document or notice, delivered to Seller
531 shall be effective when physically received by Seller, any signator on behalf of Seller, any named individual of Seller, any representative of Seller,
532 or Brokerage Firm of Broker working with Seller (except for delivery, after Closing, of the notice requesting mediation described in § 23) and
533 except as provided in § 31.2 below.

534 **31.2. Electronic Delivery.** As an alternative to physical delivery, any document, including any signed document or written notice may be
535 delivered in electronic form only by the following indicated methods: Facsimile Email Internet No Electronic Delivery. Documents
536 with original signatures shall be provided upon request of any party.

537 **31.3. Choice of Law.** This Contract and all disputes arising hereunder shall be governed by and construed in accordance with the laws of the
538 State of Colorado that would be applicable to Colorado residents who sign a contract in Colorado for property located in Colorado.

539 **32. NOTICE OF ACCEPTANCE, COUNTERPARTS.** This proposal shall expire unless accepted in writing, by Buyer and Seller, as
540 evidenced by their signatures below, and the offering party receives notice of such acceptance pursuant to § 31 on or before **Acceptance Deadline**
541 **Date** (§ 2.3) and **Acceptance Deadline Time** (§ 2.3). If accepted, this document shall become a contract between Seller and Buyer. A copy of this
542 document may be executed by each party, separately, and when each party has executed a copy thereof, such copies taken together shall be deemed to be a full and complete contract between the parties.
543
544

Date: _____ Date: _____
Buyer's Name: _____ Buyer's Name: _____

Buyer's Signature _____ Buyer's Signature _____

CRSI-5-09, CONTRACT TO BUY AND SELL REAL ESTATE Page 9 of 11

Address: _____ Address: _____
Phone No.: _____ Phone No.: _____
Fax No.: _____ Fax No.: _____
Email Address: _____ Email Address: _____

545

546 **[NOTE: If this offer is being countered or rejected, do not sign this document. Refer to § 33]**

Date: _____ Date: _____
Seller's Name: _____ Seller's Name: _____

Seller's Signature _____ Seller's Signature _____
Address: _____ Address: _____
Phone No.: _____ Phone No.: _____
Fax No.: _____ Fax No.: _____
Email Address: _____ Email Address: _____

547
548 **33. COUNTER; REJECTION.** This offer is Countered Rejected.
549 Initials only of party (Buyer or Seller) who countered or rejected offer: _____

END OF CONTRACT TO BUY AND SELL REAL ESTATE

34. BROKER'S ACKNOWLEDGMENTS AND COMPENSATION DISCLOSURE.
(To be completed by Broker working with Buyer.)

Broker Does Does Not acknowledge receipt of Earnest Money deposit specified in § 4.1 and, while not a party to the Contract, agrees to cooperate upon request with any mediation concluded under § 23. Broker agrees that if Earnest Money Holder is other than the Brokerage Firm identified in § 34 or § 35, Closing Instructions signed by Buyer, Seller, and Earnest Money Holder must be obtained on or before delivery of Earnest Money to Earnest Money Holder.

Broker is working with Buyer as a Buyer's Agent Seller's Agent Transaction-Broker in this transaction. This is a Change of Status.

Brokerage Firm's compensation or commission is to be paid by Listing Brokerage Firm Buyer Other _____

Date: _____
Brokerage Firm's Name: _____
Broker's Name: _____

Broker's Signature _____
Address: _____
Phone No.: _____
Fax No.: _____
Email Address: _____

550
551
552

CRSI-5-09, CONTRACT TO BUY AND SELL REAL ESTATE Page 10 of 11

35. BROKER'S ACKNOWLEDGMENTS AND COMPENSATION DISCLOSURE.
(To be completed by Broker working with Seller)

Broker Does Does Not acknowledge receipt of Earnest Money deposit specified in § 4.1 and, while not a party to the Contract, agrees to cooperate upon request with any mediation concluded under § 23. Broker agrees that if Earnest Money Holder is other than the Brokerage Firm identified in § 34 or § 35, Closing Instructions signed by Buyer, Seller, and Earnest Money Holder must be obtained on or before delivery of Earnest Money to Earnest Money Holder.

Broker is working with Seller as a Seller's Agent Buyer's Agent Transaction-Broker in this transaction. This is a Change of Status.

Brokerage Firm's compensation or commission is to be paid by Seller Buyer Other _____

Date: _____
Brokerage Firm's Name: _____
Broker's Name: _____

Broker's Signature _____
Address: _____
Phone No.: _____
Fax No.: _____
Email Address: _____

553

CRSI-5-09, CONTRACT TO BUY AND SELL REAL ESTATE Page 11 of 11

section 3

exclusive right-to-buy listing contract

appendix

The printed portions of this form, except differentiated additions, have been approved by the Colorado Real Estate Commission.
(8C90-5-09) (Mandatory 7-09)

2 THIS IS A BINDING CONTRACT. THIS FORM HAS IMPORTANT LEGAL CONSEQUENCES AND THE PARTIES SHOULD CONSULT LEGAL AND TAX OR OTHER COUNSEL BEFORE SIGNING.

3 Compensation charged by brokerage firms is not set by law. Such charges are established by each real estate brokerage firm.

4 DIFFERENT BROKERAGE RELATIONSHIPS ARE AVAILABLE WHICH INCLUDE BUYER AGENCY, SELLER AGENCY, OR TRANSACTION-BROKERAGE.

EXCLUSIVE RIGHT-TO-BUY LISTING CONTRACT

BUYER AGENCY TRANSACTION-BROKERAGE

Date: _____

15 AGREEMENT. Buyer and Brokerage Firm enter into this exclusive, irrevocable contract (Buyer Listing Contract) as of the date set forth above.

17 2. BROKER AND BROKERAGE FIRM.

2.1. Multiple-Person Firm. If this box is checked, the individual designated by Brokerage Firm to serve as the broker of Buyer and to perform the services for Buyer required by this Buyer Listing Contract is called Broker. If more than one individual is so designated, then references in this Buyer Listing Contract to Broker shall include all persons so designated, including substitute or additional brokers. The brokerage relationship exists only with Broker and does not extend to the employing broker, Brokerage Firm or to any other brokers employed or engaged by Brokerage Firm who are not so designated.

2.2. One-Person Firm. If this box is checked, Broker is a real estate brokerage firm with only one licensed natural person. References in this Buyer Listing Contract to Broker or Brokerage Firm mean both the licensed natural person and brokerage firm, who serve as the broker of Buyer and perform the services for Buyer required by this Buyer Listing Contract.

23 3. DEFINED TERMS.

3.1. Buyer: _____
and any other person or entity on whose behalf the named party acts, directly or indirectly, to purchase the Property.

3.2. Brokerage Firm: _____

3.3. Broker: _____

3.4. Property. Property means real estate which substantially meets the following requirements or similar real estate acceptable to Buyer: _____

3.5. Purchase.

3.5.1. Purchase means the acquisition of any interest in the Property or the creation of the right to acquire any interest in the Property (including a contract or lease). It also includes an agreement to acquire any ownership interest in an entity that owns the Property.

3.5.2. If this box is checked, Buyer authorizes Broker to negotiate a lease of the Property. Lease of the Property or Lease means any lease of an interest in the Property.

3.5.3. Broker shall continue to assist in the completion of any transaction for which compensation is payable to Brokerage Firm under § 7 of this Buyer Listing Contract.

3.5.4. Broker shall continue to assist in the completion of any transaction for which compensation is payable to Brokerage Firm under § 7 of this Buyer Listing Contract.

3.6. Term. The Term of this Buyer Listing Contract shall begin on _____ and shall continue through the earlier of (i) completion of the Purchase of the Property or (ii) _____ Broker shall continue to assist in the completion of any transaction for which compensation is payable to Brokerage Firm under § 7 of this Buyer Listing Contract.

3.7. Applicability of Terms. A check or similar mark in a box means that this provision is applicable. The abbreviation "N/A" or the word "Electrol" means not applicable. The abbreviation "MEC" (mutual execution of this contract) means the latest date upon which both parties have signed this Buyer Listing Contract.

3.8. Day; Computation of Period of Days; Deadline.

3.8.1. Day. As used in this Buyer Listing Contract, the term "day" shall mean the entire day ending at 11:59 p.m., United States Mountain Time (Standard or Daylight Savings as applicable).

3.8.2. Computation of Period of Days; Deadline. In computing a period of days, when the ending date is not specified, the first day is excluded and the last day is included, e.g., three days after MEC. If any deadline falls on a Saturday, Sunday or Federal or Colorado state holiday (Holiday), such date does not count. **3.8.3. Shall Not be extended to the next day that is not a Saturday, Sunday or Holiday.** Should neither box be checked, the deadline shall not be extended.

4. BROKERAGE RELATIONSHIP.

4.1. If the Buyer Agency box at the top of page 1 is checked, Broker shall represent Buyer as a Buyer's limited agent (Buyer's Agent). If the Transaction-Brokerage box at the top of page 1 is checked, Broker shall act as a Transaction-Broker.

4.2. In-Company Transaction — Different Brokers. When the seller and Buyer in a transaction are working with different brokers, those brokers continue to conduct themselves consistent with the brokerage relationships they have established. Buyer acknowledges that Brokerage Firm is allowed to offer and pay compensation to brokers within Brokerage Firm working with a seller.

4.3. In-Company Transaction — One Broker. If the seller and Buyer are both working with the same Broker, Broker shall function as:

4.3.1. Buyer's Agent. If the Buyer Agency box at the top of page 1 is checked, the parties agree the following applies:
4.3.1.1. Buyer Agency Only. Unless the box in § 4.3.1.2 (Buyer Agency Unless Brokerage Relationship with Both) is checked, Broker shall represent Buyer as Buyer's Agent and shall treat the seller as a customer. A customer is a party to a transaction with whom Broker has no brokerage relationship. Broker shall disclose to such customer Broker's relationship with Buyer.
 4.3.1.2. Buyer Agency Unless Brokerage Relationship with Both. If this box is checked, Broker shall represent Buyer as Buyer's Agent and shall treat the seller as a customer, unless Broker currently has or enters into an agency or Transaction-Brokerage relationship with the seller, in which case Broker shall act as a Transaction-Broker.

4.3.2. Transaction-Broker. If the Transaction-Brokerage box at the top of page 1 is checked, or in the event neither box is checked, Broker shall work with Buyer as a Transaction-Broker. A Transaction-Broker shall perform the duties described in § 5 and facilitate purchase transactions without being an advocate or agent for either party. If the seller and Buyer are working with the same broker, Broker shall continue to function as a Transaction-Broker.

5. BROKERAGE DUTIES. Brokerage Firm, acting through Broker, as either a Transaction-Broker or a Buyer's Agent, shall perform the following Uniform Duties when working with Buyer:

5.1. Broker shall exercise reasonable skill and care for Buyer, including but not limited to the following:

5.1.1. Performing the terms of any written or oral agreement with Buyer;

5.1.2. Presenting all offers to and from Buyer in a timely manner regardless of whether Buyer is already a party to a contract to purchase the Property;

5.1.3. Disclosing to Buyer adverse material facts actually known by Broker;

5.1.4. Advising Buyer regarding the transaction and advising Buyer to obtain expert advice as to material matters about which Broker knows but the specifics of which are beyond the expertise of Broker;

5.1.5. Accounting in a timely manner for all money and property received; and

5.1.6. Keeping Buyer fully informed regarding the transaction.

5.2. Broker shall not disclose the following information without the informed consent of Buyer:

5.2.1. That Buyer is willing to pay more than the purchase price offered for the Property;

5.2.2. What Buyer's motivating factors are;

5.2.3. That Buyer will agree to financing terms other than those offered;

5.2.4. Any material information about Buyer unless disclosure is required by law or failure to disclose such information would constitute fraud or dishonest dealing; or

5.2.5. Any facts or suspicions regarding circumstances that could psychologically impact or stigmatize the Property.

5.3. Buyer consents to Broker's disclosure of Buyer's confidential information to the supervising broker or designee for the purpose of proper supervision, provided such supervising broker or designee shall not further disclose such information without consent of Buyer, or use such information to the detriment of Buyer.

5.4. Broker may show properties in which the Buyer is interested to other prospective buyers without breaching any duty or obligation to such Buyer. Broker shall not be prohibited from showing competing buyers the same property and from assisting competing buyers in attempting to purchase a particular property.

5.5. Broker shall not be obligated to seek other properties while Buyer is already a party to a contract to purchase property.

5.6. Broker has no duty to conduct an independent inspection of the Property for the benefit of Buyer and has no duty to independently verify the accuracy or completeness of statements made by a seller or independent inspectors. Broker has no duty to conduct an independent investigation of Buyer's financial condition or to verify the accuracy or completeness of any statement made by Buyer.

5.7. Broker shall disclose to any prospective seller all adverse material facts actually known by Broker, including but not limited to adverse material facts concerning Buyer's financial ability to perform the terms of the transaction and whether Buyer intends to occupy the Property as a principal residence.

5.8. Buyer understands that Broker shall not be liable for Broker's acts or omissions that have not been approved, directed, or ratified by Buyer.

6. ADDITIONAL DUTIES OF BUYER'S AGENT. If the Buyer Agency box at the top of page 1 is checked, Broker is Buyer's Agent, with the following additional duties:

6.1. Promoting the interests of Buyer with the utmost good faith, loyalty and fidelity.

6.2. Seeking a price and terms that are acceptable to Buyer.

6.3. Counseling Buyer as to any material benefits or risks of a transaction that are actually known by Broker.

7. COMPENSATION TO BROKERAGE FIRM. In consideration of the services to be performed by Broker, Brokerage Firm shall be paid as set forth in this section. No disclosure of Buyer's confidential information to the supervising broker or designee for the purpose of proper supervision, provided such supervising broker or designee shall not further disclose such information without consent of Buyer, or use such information to the detriment of Buyer.

7.1. DISCLOSURE OF BUYER'S IDENTITY. Broker **Does** **Does Not** have Buyer's permission to disclose Buyer's identity to third parties different from prior written consent of Buyer.

7.2. DISCLOSURE OF SETTLEMENT SERVICE COSTS. Broker acknowledges that costs, quality, and extent of service vary between different settlement service providers (e.g., attorneys, lenders, inspectors and title companies).

7.3. NONDISCRIMINATION. The parties agree not to discriminate unlawfully against any prospective seller because of the race, creed, color, sex, sexual orientation, marital status, familial status, physical or mental disability, handicap, religion, national origin or ancestry of such person.

7.4. RECOMMENDATION OF LEGAL AND TAX COUNSEL. By signing this document, Buyer acknowledges that Broker has advised that this document has important legal consequences and has recommended consultation with legal and tax or other counsel, before signing this Buyer Listing Contract.

7.5. MEDIATION. If a dispute arises relating to this Buyer Listing Contract, prior to or after closing, and is not resolved, the parties shall first proceed in good faith to submit the matter to mediation. Mediation is a process in which the parties meet with an impartial person who helps to resolve the dispute informally and confidentially. Mediators cannot impose binding decisions. The parties to the dispute must agree, in writing, before any settlement is binding. The parties will jointly appoint an acceptable mediator and will share equally in the cost of such mediation. The mediation, unless otherwise agreed, shall terminate in the event the entire dispute is not resolved within 30 calendar days of the date written notice requesting mediation is delivered by one party to the other or the party's last known address.

7.6. ATTORNEY FEES. In the event of any arbitration or litigation relating to this Buyer Listing Contract, the arbitrator or court shall award to the prevailing party all reasonable costs and expenses, including attorney and legal fees.

7.7. ADDITIONAL PROVISIONS. (The following additional provisions have not been approved by the Colorado Real Estate Commission.)

7.8. ATTACHMENTS. The following are a part of this Buyer Listing Contract:

7.9. NOTICE, DELIVERY AND CHOICE OF LAW.

7.9.1. Physical Delivery. All notices must be in writing, except as provided in 7.9.2. Any document, including a signed document or notice, delivered to the other party to this Buyer Listing Contract, is effective upon physical receipt. Delivery by Buyer shall be effective when physically received by Buyer, any signatory on behalf of Buyer, any named individual of Buyer or representative of Buyer.

7.9.2. Electronic Delivery. As an alternative to physical delivery, any document, including any signed document or written notice, may be delivered in electronic form only by the following indicated methods: Facsimile Email Internet No Electronic Delivery. Documents with original signatures shall be provided upon request of any party.

7.9.3. Choice of Law. This Buyer Listing Contract shall be governed by the laws of the state in which the property is located and in accordance with the laws of the State of Colorado that would be applicable to Colorado residents who sign a contract in this state for property located in Colorado.

7.10. MODIFICATION OF THIS CONTRACT. No subsequent modification of any of the terms of this Buyer Listing Contract shall be valid, binding upon the parties, or enforceable unless in writing and signed by the parties.

7.11. COUNTERPARTS. If more than one person is named as a Buyer herein, this Buyer Listing Contract may be executed by each Buyer, separately, and when so executed, such copies taken together with one executed by Broker on behalf of Brokerage Firm shall be deemed to be a full and complete contract between the parties.

7.12. ENTIRE AGREEMENT. This agreement constitutes the entire contract between the parties and any prior agreements, whether oral or written, have been merged and integrated into this Buyer Listing Contract.

7.13. COPY OF CONTRACT. Buyer acknowledges receipt of a copy of this Buyer Listing Contract signed by Broker, including all attachments.

7.14. MEGAN'S LAW. If the presence of a registered sex offender is a matter of concern to Buyer, Buyer understands that Buyer must contact local law enforcement officials regarding obtaining such information.

Brokerage Firm authorizes Broker to execute this Buyer Listing Contract on behalf of Brokerage Firm.

Date: _____ Date: _____
Buyer's Name: _____ Broker's Name: _____

7.1. Check Compensation Arrangement:

7.1.1. Listing Brokerage Firm or Seller May Pay. Buyer IS Obligated to Pay. Broker is authorized and instructed to request payment of the Brokerage Firm's fee from the listing brokerage firm or seller. Buyer shall be obligated to pay any portion of Brokerage Firm's fee as described in § 7.2 which is not paid by the listing brokerage firm or seller.

7.1.2. Buyer Will Pay. Buyer shall be obligated to pay the Brokerage Firm's fee as described in § 7.2.1 (Success Fee) unless the box in § 7.3 (Listing Brokerage Firm or Seller May Pay, Buyer is NOT Obligated to Pay) is checked.

7.2.1. Success Fee. Brokerage Firm shall be paid by Buyer as follows:

7.2.1.1. Amount. A fee equal to _____% of the purchase price, but not less than \$ _____, except as provided in § 7.2.1.2.

7.2.1.2. Adjusted Amount. See Section 18, Additional Provisions or Other _____

7.2.1.3. When Earned. The Success Fee is earned by the Brokerage Firm upon the Purchase of the Property and is payable upon closing of the transaction. If any transaction fails to close as a result of the seller's default, with no fault on the part of Buyer, the Success Fee shall be waived. If any transaction fails to close as a result of Buyer's default, in whole or in part, the Success Fee shall not be waived; such fee shall be payable upon Buyer's default, but in any event not later than the date that the closing of the transaction was to have occurred.

7.2.2. Hourly Fee. Brokerage Firm shall be paid \$ _____ per hour for time spent by Broker pursuant to this Buyer Listing Contract, up to a maximum total fee of \$ _____. This hourly fee shall be paid to Brokerage Firm upon receipt of an invoice from Brokerage Firm.

7.2.3. Retainer Fee. Buyer shall pay Brokerage Firm a nonrefundable retainer fee of \$ _____ due and payable upon signing of this Buyer Listing Contract. This amount Shall Shall Not be credited against other fees payable to Brokerage Firm under this section.

7.2.4. Other Compensation. _____

7.3. Listing Brokerage Firm or Seller May Pay. Buyer is NOT Obligated to Pay. Broker is authorized to obtain payment of the Brokerage Firm's fee from the listing brokerage firm or seller. Buyer shall not be obligated to pay Brokerage Firm's fee.

If no box is checked above, then § 7.2 (Buyer Will Pay) shall apply.

7.4. Lease Fee. If the box in § 3.5.2 is checked and if Brokerage Firm is unable to obtain payment of Brokerage Firm's entire fee from listing brokerage firm or landlord, Buyer shall pay the Brokerage Firm a fee as follows, less any amounts paid by the listing brokerage firm or landlord:

7.4.1. Amount. \$ _____ Per Square Foot per _____ up to a maximum of _____ or _____% of the Net Gross amount of rent payable under the lease up to a maximum of _____.

7.4.2. Adjusted Amount. See Section 18, Additional Provisions or Other _____

7.4.3. Other. _____

7.4.4. When Earned. This lease fee is earned upon the execution of the Lease. One-half of this lease fee shall be paid upon mutual execution of Lease and one-half upon possession of the premises by tenant or as follows: _____ If the Lease, executed after the date of this Buyer Listing Contract, contains an option to extend or renew, Brokerage Firm Shall Shall Not be paid a fee and its payment shall be as follows: _____ If Brokerage Firm is to be paid a fee for such extension or renewal, the amount of such fee and its payment shall be as follows: _____

7.5. Holdover Period. Brokerage Firm's fee shall apply to Property contracted for (or leased if § 3.5.2 is checked) during the term of this Buyer Listing Contract or any extensions and shall also apply to Property contracted for or leased within _____ calendar days after this Buyer Listing Contract expires or is terminated (Holdover Period) if the Property is one on which Broker negotiated and if Broker submitted the offer or other description in writing to Buyer during the Term. However, if a commission is earned by another real estate brokerage firm acting pursuant to an exclusive agreement with Buyer entered into during the Holdover Period, Buyer Shall Shall Not owe the compensation to Broker under §§ 7.2.1, 7.2.2, 7.2.4 and 7.4 as indicated.

8. LIMITATION ON THIRD-PARTY COMPENSATION. Neither Broker nor Brokerage Firm, except as set forth in § 7, shall accept compensation from any other person or entity in connection with the Property without the written consent of Buyer. Additionally, neither Broker nor Brokerage Firm shall be permitted to accept or receive multi-use or other compensation for services performed by any third party or affiliated business entity unless Buyer signs a separate written consent for such services.

9. BUYER'S OBLIGATIONS TO BROKER. Buyer agrees to conduct all negotiations for the Property only through Broker, and to refer to Broker all communications received by or from real estate brokers, prospective sellers, or any other source during the Term of this Buyer Listing Contract. Buyer represents that Buyer Is Is Not currently a party to any agreement with any other broker to represent or assist Buyer in the location or purchase of property.

10. COST OF SERVICES OR PRODUCTS OBTAINED FROM OUTSIDE SOURCES. Broker will not obtain or order products or services from outside sources unless Buyer has agreed to pay for them promptly when due (examples: surveys, radon tests, soil tests, fire reports, engineering studies, property inspections). Neither Broker nor Brokerage Firm shall be obligated to advance funds for Buyer. Buyer shall reimburse Brokerage Firm for payments made by Brokerage Firm for other products or services authorized by Buyer.

11. BROKERAGE SERVICES; SHOWING PREMISES.

11.1. Brokerage Services. The Broker shall provide brokerage services to Buyer. The following additional tasks shall be performed by Broker: _____

11.2. Showing Properties. Buyer acknowledges that Broker has explained the possible methods used by listing brokers and sellers to show properties, and the limitations (if any) on Buyer and Broker being able to access properties due to such methods. Broker's limitations on

accessing premises are as follows: _____ Broker, through Brokerage Firm, has access to the following multiple listing services and property information services: _____

12. DISCLOSURE OF BUYER'S IDENTITY. Broker **Does** **Does Not** have Buyer's permission to disclose Buyer's identity to third parties different from prior written consent of Buyer.

13. DISCLOSURE OF SETTLEMENT SERVICE COSTS. Broker acknowledges that costs, quality, and extent of service vary between different settlement service providers (e.g., attorneys, lenders, inspectors and title companies).

14. NONDISCRIMINATION. The parties agree not to discriminate unlawfully against any prospective seller because of the race, creed, color, sex, sexual orientation, marital status, familial status, physical or mental disability, handicap, religion, national origin or ancestry of such person.

15. RECOMMENDATION OF LEGAL AND TAX COUNSEL. By signing this document, Buyer acknowledges that Broker has advised that this document has important legal consequences and has recommended consultation with legal and tax or other counsel, before signing this Buyer Listing Contract.

16. MEDIATION. If a dispute arises relating to this Buyer Listing Contract, prior to or after closing, and is not resolved, the parties shall first proceed in good faith to submit the matter to mediation. Mediation is a process in which the parties meet with an impartial person who helps to resolve the dispute informally and confidentially. Mediators cannot impose binding decisions. The parties to the dispute must agree, in writing, before any settlement is binding. The parties will jointly appoint an acceptable mediator and will share equally in the cost of such mediation. The mediation, unless otherwise agreed, shall terminate in the event the entire dispute is not resolved within 30 calendar days of the date written notice requesting mediation is delivered by one party to the other or the party's last known address.

17. ATTORNEY FEES. In the event of any arbitration or litigation relating to this Buyer Listing Contract, the arbitrator or court shall award to the prevailing party all reasonable costs and expenses, including attorney and legal fees.

18. ADDITIONAL PROVISIONS. (The following additional provisions have not been approved by the Colorado Real Estate Commission.)

19. ATTACHMENTS. The following are a part of this Buyer Listing Contract:

20. NOTICE, DELIVERY AND CHOICE OF LAW.

20.1. Physical Delivery. All notices must be in writing, except as provided in 20.2. Any document, including a signed document or notice, delivered to the other party to this Buyer Listing Contract, is effective upon physical receipt. Delivery by Buyer shall be effective when physically received by Buyer, any signatory on behalf of Buyer, any named individual of Buyer or representative of Buyer.

20.2. Electronic Delivery. As an alternative to physical delivery, any document, including any signed document or written notice, may be delivered in electronic form only by the following indicated methods: Facsimile Email Internet No Electronic Delivery. Documents with original signatures shall be provided upon request of any party.

20.3. Choice of Law. This Buyer Listing Contract shall be governed by the laws of the state in which the property is located and in accordance with the laws of the State of Colorado that would be applicable to Colorado residents who sign a contract in this state for property located in Colorado.

21. MODIFICATION OF THIS CONTRACT. No subsequent modification of any of the terms of this Buyer Listing Contract shall be valid, binding upon the parties, or enforceable unless in writing and signed by the parties.

22. COUNTERPARTS. If more than one person is named as a Buyer herein, this Buyer Listing Contract may be executed by each Buyer, separately, and when so executed, such copies taken together with one executed by Broker on behalf of Brokerage Firm shall be deemed to be a full and complete contract between the parties.

23. ENTIRE AGREEMENT. This agreement constitutes the entire contract between the parties and any prior agreements, whether oral or written, have been merged and integrated into this Buyer Listing Contract.

24. COPY OF CONTRACT. Buyer acknowledges receipt of a copy of this Buyer Listing Contract signed by Broker, including all attachments.

25. MEGAN'S LAW. If the presence of a registered sex offender is a matter of concern to Buyer, Buyer understands that Buyer must contact local law enforcement officials regarding obtaining such information.

Brokerage Firm authorizes Broker to execute this Buyer Listing Contract on behalf of Brokerage Firm.

Date: _____ Date: _____
Buyer's Name: _____ Broker's Name: _____

appendix

section 3

exclusive right-to-buy listing contract

Buyer's Signature _____	Broker's Signature _____
Address: _____	Address: _____
Phone No.: _____	Phone No.: _____
Fax No.: _____	Fax No.: _____
Email Address: _____	Email Address: _____
	Brokerage Firm's Name: _____
	Address: _____
	Phone No.: _____
	Fax No.: _____
	Email Address: _____

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BC565-09 EXCLUSIVE RIGHT-TO-BUY LISTING CONTRACT Page 5 of 5

brokerage disclosure

The printed portions of this form, except differentiated additions, have been approved by the Colorado Real Estate Commission. (BD24-5-09) (Mandatory 7-09)

DIFFERENT BROKERAGE RELATIONSHIPS ARE AVAILABLE WHICH INCLUDE SELLER AGENCY, BUYER AGENCY OR TRANSACTION-BROKERAGE.

BROKERAGE DISCLOSURE TO

[] BUYER [] TENANT

DEFINITIONS OF WORKING RELATIONSHIPS

For purposes of this document, seller also means landlord (which includes sublandlord) and buyer also means tenant (which includes subtenant).

Seller's Agent: A seller's agent works solely on behalf of the seller to promote the interests of the seller with the utmost good faith, loyalty and fidelity. The agent negotiates on behalf of and acts as an advocate for the seller. The seller's agent must disclose to potential buyers all adverse material facts actually known by the seller's agent about the property. A separate written listing agreement is required which sets forth the duties and obligations of the broker and the seller.

Buyer's Agent: A buyer's agent works solely on behalf of the buyer to promote the interests of the buyer with the utmost good faith, loyalty and fidelity. The agent negotiates on behalf of and acts as an advocate for the buyer. The buyer's agent must disclose to potential sellers all adverse material facts actually known by the buyer's agent, including the buyer's financial ability to perform the terms of the transaction and, if a residential property, whether the buyer intends to occupy the property. A separate written buyer agency agreement is required which sets forth the duties and obligations of the broker and the buyer.

Transaction-Broker: A transaction-broker assists the buyer or seller or both throughout a real estate transaction by performing terms of any written or oral agreement, fully informing the parties, presenting all offers and assisting the parties with any contracts, including the closing of the transaction, without being an agent or advocate for any of the parties. A transaction-broker must use reasonable skill and care in the performance of any oral or written agreement, and must make the same disclosures as agents about all adverse material facts actually known by the transaction-broker concerning a property or a buyer's financial ability to perform the terms of a transaction and, if a residential property, whether the buyer intends to occupy the property. No written agreement is required.

Customer: A customer is a party to a real estate transaction with whom the broker has no brokerage relationship because such party has not engaged or employed the broker, either as the party's agent or as the party's transaction-broker.

RELATIONSHIP BETWEEN BROKER AND BUYER

Broker and Buyer referenced below have NOT entered into a buyer agency agreement. The working relationship specified below is for a specific property described as:

_____ or real estate which substantially meets the following requirements:

_____.

Buyer understands that Buyer shall not be liable for Broker's acts or omissions that have not been approved, directed, or ratified by Buyer.

CHECK ONE BOX ONLY:

[] Multiple-Person Firm. Broker, referenced below, is designated by Brokerage Firm to serve as Broker. If more than one individual is so designated, then references in this document to Broker shall include all persons so designated, including substitute or additional brokers. The brokerage relationship exists only with Broker and does not extend to the employing broker, Brokerage Firm or to any other brokers employed or engaged by Brokerage Firm who are not so designated.

[] One-Person Firm. If Broker is a real estate brokerage firm with only one licensed natural person, then any references to Broker or Brokerage Firm mean both the licensed natural person and brokerage firm who shall serve as Broker.

brokerage disclosure

CHECK ONE BOX ONLY:

Customer. Broker is the seller's agent and Buyer is a customer. Broker, as seller's agent, intends to perform the following list of tasks: **Show** a property **Prepare and Convey** written offers, counteroffers and agreements to amend or extend the contract. Broker is not the agent of Buyer.

Customer for Broker's Listings – Transaction-Brokerage for Other Properties. When Broker is the seller's agent, Buyer is a customer. When Broker is not the seller's agent, Broker is a transaction-broker assisting in the transaction. Broker is not the agent of Buyer.

Transaction-Brokerage Only. Broker is a transaction-broker assisting in the transaction. Broker is not the agent of Buyer.

Buyer consents to Broker's disclosure of Buyer's confidential information to the supervising broker or designee for the purpose of proper supervision, provided such supervising broker or designee shall not further disclose such information without consent of Buyer, or use such information to the detriment of Buyer.

DISCLOSURE OF SETTLEMENT SERVICE COSTS. Buyer acknowledges that costs, quality, and extent of service vary between different settlement service providers (e.g., attorneys, lenders, inspectors and title companies).

THIS IS NOT A CONTRACT.

If this is a residential transaction, the following provision shall apply:

MEGAN'S LAW. If the presence of a registered sex offender is a matter of concern to Buyer, Buyer understands that Buyer must contact local law enforcement officials regarding obtaining such information.

BUYER ACKNOWLEDGMENT:

Buyer acknowledges receipt of this document on _____.

Buyer

Buyer

BROKER ACKNOWLEDGMENT:

On _____, Broker provided _____ (Buyer) with this document via _____ and retained a copy for Broker's records.

Brokerage Firm's Name: _____

Broker

home sweet home... improvement, ftc facts for consumers



Whether you're planning an addition for a growing family or simply getting new storm windows, finding a competent and reliable contractor is the first step to a successful and satisfying home improvement project.

Your home may be your most valuable financial asset. That's why it's important to be cautious when you hire someone to work on it. Home improvement and repair and maintenance contractors often advertise in newspapers, the Yellow Pages, and on the radio and TV. However, don't consider an ad an indication of the quality of a contractor's work. Your best bet is a reality check from those in the know: friends, neighbors, or co-workers who have had improvement work done. Get written estimates from several firms. Ask for explanations for price variations. Don't automatically choose the lowest bidder.

Home Improvement Professionals

Depending on the size and complexity of your project, you may choose to work with a number of different professionals:

- **General Contractors** manage all aspects of your project, including hiring and supervising subcontractors, getting building permits, and scheduling inspections. They also work with architects and designers.
- **Specialty Contractors** install particular products, such as cabinets and bathroom fixtures.

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- **Architects** design homes, additions, and major renovations. If your project includes structural changes, you may want to hire an architect who specializes in home remodeling.
- **Designers** have expertise in specific areas of the home, such as kitchens and baths.
- **Design/Build Contractors** provide one-stop service. They see your project through from start to finish. Some firms have architects on staff; others use certified designers.

Don't Get Nailed

Not all contractors operate within the law. Here are some tip-offs to potential rip-offs. A less than reputable contractor:

- solicits door-to-door;
- offers you discounts for finding other customers;
- just happens to have materials left over from a previous job;
- only accepts cash payments;
- asks you to get the required building permits;
- does not list a business number in the local telephone directory;
- tells you your job will be a "demonstration;"
- pressures you for an immediate decision;
- offers exceptionally long guarantees;

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- asks you to pay for the entire job up-front;
- suggests that you borrow money from a lender the contractor knows. If you're not careful, you could lose your home through a home improvement loan scam.

Hiring a Contractor

Interview each contractor you're considering. Here are some questions to ask.

- **How long have you been in business?** Look for a well-established company and check it out with consumer protection officials. They can tell you if there are unresolved consumer complaints on file. One caveat: No record of complaints against a particular contractor doesn't necessarily mean no previous consumer problems. It may be that problems exist, but have not yet been reported, or that the contractor is doing business under several different names.
- **Are you licensed and registered with the state?** While most states license electrical and plumbing contractors, only 36 states have some type of licensing and registration statutes affecting contractors, remodelers, and/or specialty contractors. The licensing can range from simple registration to a detailed qualification process. Also, the licensing requirements in one locality may be different from the requirements in the rest of the state. Check with your local building department or consumer protection agency to find out about licensing requirements in your area. If

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your state has licensing laws, ask to see the contractor's license. Make sure it's current.

- **How many projects like mine have you completed in the last year?** Ask for a list. This will help you determine how familiar the contractor is with your type of project.
- **Will my project require a permit?** Most states and localities require permits for building projects, even for simple jobs like decks. A competent contractor will get all the necessary permits before starting work on your project. Be suspicious if the contractor asks you to get the permit(s). It could mean that the contractor is not licensed or registered, as required by your state or locality.
- **May I have a list of references?** The contractor should be able to give you the names, addresses, and phone numbers of at least three clients who have projects similar to yours. Ask each how long ago the project was completed and if you can see it. Also, tell the contractor that you'd like to visit jobs in progress.
- **Will you be using subcontractors on this project?** If yes, ask to meet them, and make sure they have current insurance coverage and licenses, if required. Also ask them if they were paid on time by this contractor. A "mechanic's lien" could be placed on your home if your contractor fails to pay the subcontractors and suppliers on your project. That means the subcontractors and suppliers could go to court to force

you to sell your home to satisfy their unpaid bills from your project. Protect yourself by asking the contractor and every subcontractor and supplier, for a lien release or lien waiver.

- **What types of insurance do you carry?** Contractors should have personal liability, worker's compensation, and property damage coverage. Ask for copies of insurance certificates, and make sure they're current. Avoid doing business with contractors who don't carry the appropriate insurance. Otherwise, you'll be held liable for any injuries and damages that occur during the project.

Checking References

Talk with some of the remodeler's former customers. They can help you decide if a particular contractor is right for you. You may want to ask:

- Can I visit your home to see the completed job?
- Were you satisfied with the project? Was it completed on time?
- Did the contractor keep you informed about the status of the project, and any problems along the way?
- Were there unexpected costs? If so, what were they?
- Did workers show up on time? Did they clean up after finishing the job?
- Would you recommend the contractor?
- Would you use the contractor again?

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Understanding Your Payment Options

You have several payment options for most home improvement and maintenance and repair projects. For example, you can get your own loan or ask the contractor to arrange financing for larger projects. For smaller projects, you may want to pay by check or credit card. Avoid paying cash. Whatever option you choose, be sure you have a reasonable payment schedule and a fair interest rate. Here are some additional tips:

- Try to limit your down payment. Some state laws limit the amount of money a contractor can request as a down payment. Contact your state or local consumer agency to find out what the law is in your area.
- Try to make payments during the project contingent upon completion of a defined amount of work. This way, if the work is not proceeding according to schedule, the payments also are delayed.
- Don't make the final payment or sign an affidavit of final release until you are satisfied with the work and know that the subcontractors and suppliers have been paid. Lien laws in your state may allow subcontractors and/or suppliers to file a mechanic's lien against your home to satisfy their unpaid bills. Contact your local consumer agency for an explanation of lien laws where you live.



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Some state or local laws limit the amount by which the final bill can exceed the estimate, unless you have approved the increase. Check with your local consumer agency.

- If you have a problem with merchandise or services that you charged to a credit card, and you have made a good faith effort to work out the problem with the seller, you have the right to withhold from the card issuer payment for the merchandise or services. You can withhold payment up to the amount of credit outstanding for the purchase, plus any finance or related charges.

The "Home Improvement" Loan Scam

A contractor calls or knocks on your door and offers to install a new roof or remodel your kitchen at a price that sounds reasonable. You tell him you're interested, but can't afford it. He tells you it's no problem — he can arrange financing through a lender he knows. You agree to the project, and the contractor begins work. At some point after the contractor begins, you are asked to sign a lot of papers. The papers may be blank or the lender may rush you to sign before you have time to read what you've been given to sign. You sign the papers. Later, you realize that the papers you signed are a home equity loan. The interest rate, points and fees seem very high. To make matters worse, the work on your home isn't done right or hasn't been completed, and the contractor, who may have been paid by the lender, has little interest in completing the work to your satisfaction.

You can protect yourself from inappropriate lending practices. Here's how.

Don't:

- Agree to a home equity loan if you don't have enough money to make the monthly payments.
- Sign any document you haven't read or any document that has blank spaces to be filled in after you sign.
- Let anyone pressure you into signing any document.
- Deed your property to anyone. First consult an attorney, a knowledgeable family member, or someone else you trust.
- Agree to financing through your contractor without shopping around and comparing loan terms.

Getting a Written Contract

Contract requirements vary by state. Even if your state does not require a written agreement, ask for one.

A contract spells out the who, what, where, when and cost of your project. The agreement should be clear, concise and complete.

A Written Contract

A contract spells out the who, what, where, when and cost of your project. The agreement should be clear, concise and complete.

Before you sign a contract, make sure it contains:

- The contractor's name, address, phone, and license number, if required.
- The payment schedule for the contractor, subcontractors and suppliers.
- An estimated start and completion date.
- The contractor's obligation to obtain all necessary permits.
- How change orders will be handled. A change order — common on most remodeling jobs — is a written authorization to the contractor to make a change or addition to the work described in the original contract. It could affect the project's cost and schedule. Remodelers often require payment for change orders before work begins.
- A detailed list of all materials including color, model, size, brand name, and product.
- Warranties covering materials and workmanship. The names and addresses of the parties honoring the warranties — contractor, distributor or manufacturer — must be identified. The length of the warranty period and any limitations also should be spelled out.
- What the contractor will and will not do. For example, is site clean-up and trash hauling included in the price? Ask for a "broom clause." It makes the contractor responsible for all clean-up work, including spills and stains.
- Oral promises also should be added to the written contract.

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- A written statement of your right to cancel the contract within three business days if you signed it in your home or at a location other than the seller's permanent place of business. During the sales transaction, the salesperson (contractor) must give you two copies of a cancellation form (one to keep and one to send back to the company) and a copy of your contract or receipt. The contract or receipt must be dated, show the name and address of the seller, and explain your right to cancel.


Keeping Records

Keep all paperwork related to your project in one place. This includes copies of the contract, change orders and correspondence with your home improvement professionals. Keep a log or journal of all phone calls, conversations and activities. You also might want to take photographs as the job progresses. These records are especially important if you have problems with your project — during or after construction.

Completing the Job: A Checklist

Before you sign off and make the final payment, use this checklist to make sure the job is complete. **Check that:**

- All work meets the standards spelled out in the contract.
- You have written warranties for materials and workmanship.
- You have proof that all subcontractors and suppliers have been paid.



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- The job site has been cleaned up and cleared of excess materials, tools and equipment.
- You have inspected and approved the completed work.

Where to Complain

If you have a problem with your home improvement project, first try to resolve it with the contractor. Many disputes can be resolved at this level. Follow any phone conversations with a letter you send by certified mail. Request a return receipt. That's your proof that the company received your letter. Keep a copy for your files.

If you can't get satisfaction, consider contacting the following organizations for further information and help:

- State and local consumer protection offices.
- Your state or local Builders Association.
- Your local Better Business Bureau.
- Action line and consumer reporters. Check with your local newspaper, TV, and radio stations for contacts.
- Local dispute resolution programs.

For More Information


- Federal Trade Commission www.ftc.gov
The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.
- National Association of Home Builders www.nahb.com
To order a free copy of **How to Find a Professional Remodeler**, send a self-addressed stamped envelope to:
NAHB
Dept. FT
1201 15th Street, NW
Washington, DC 20005
- National Association of Consumer Agency Administrators www.nacaa.net
P.O. Box 40542
Nashville, Tennessee 37204
Toll-free 1-866-SAY-NACAA

Federal Trade Commission
Bureau of Consumer Protection
Division of Consumer and Business Education
August 2001

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need a loan? think twice about using your home as collateral, ftc facts for consumers

From the Consumer Affordability Package
FTC FACTS
for Consumers



Need a Loan? Think Twice About Using Your Home as Collateral

If you need money to pay bills or make home improvements, and think the answer is in refinancing, a second mortgage, or a home equity loan, consider your options carefully. If you can't make the required payments, you could lose your home as well as the equity you've built up. That's why it's important not to let anyone talk you into using your home to borrow money you may not be able to afford to pay back.

Not all loans or lenders are created equal. Some unscrupulous lenders target older or low-income homeowners and those with credit problems. These lenders may offer loans based on the equity in your home, not on your ability to repay the loan. High interest rates and credit costs can make it very expensive to borrow money, even if you use your home as collateral.

Talk to an attorney, financial advisor, or someone else you trust before you make any decisions about borrowing money. Non-profit credit and housing counseling services also can be useful in helping you manage your credit and make smart decisions about loans.

You can take some steps to protect your home and the equity you've built up in it. Here's how.

Early Warning Signs

Avoid any lender who:

- tells you to falsify information on the loan application. For example, stay away from a lender who tells you to say that your income is higher than it is.
- pressures you into applying for a loan or applying for more money than you need.
- pressures you into accepting monthly payments you can't make or could have trouble making.
- fails to provide required loan disclosures or tells you not to read them.
- misrepresents the kind of credit you're getting, like calling a one-time loan a line of credit.
- promises one set of terms when you apply, and gives you another set of terms to sign — with no legitimate explanation for the change.
- tells you to sign blank forms — and says they'll fill in the blanks later.
- says you can't have copies of the documents that you've signed.

1. Shop Around. Costs can vary greatly.

Contact several lenders — including banks, savings and loans, credit unions, and mortgage companies. Ask each lender about the best loan you would qualify for.

Facts for Consumers

Compare:

- **The annual percentage rate (APR).** The APR is the single most important thing to compare when you shop for a loan. It takes into account not only the interest rate, but also points (one point equals one percent of the loan amount), mortgage broker fees, and certain other credit charges the lender requires the borrower to pay, expressed as a yearly rate. Generally, the lower the APR, the lower the cost of your loan. Ask if the APR is fixed or adjustable — that is, will it change? If so, how often and how much?
- **Points and fees.** Ask about points and other fees that you'll be charged. These charges may not be refundable if you refinance or pay off the loan early. And if you refinance, you may pay more points. Points usually are paid in cash at closing, but may be financed. If you finance the points, you'll have to pay additional interest, increasing the total cost of your loan.
- **The term of the loan.** How many years will you make payments on the loan? If you're getting a home equity loan that consolidates credit card debt and other shorter-term loans, remember that the new loan may require you to make payments for a longer time.
- **The monthly payment.** What's the amount? Will it stay the same or change? Find out if your monthly payment will include escrows for taxes and insurance.
- **Balloon payments.** This is a large payment usually at the end of the loan term, often after a series of lower monthly payments. When the balloon payment is due, you must come up with the money. If you can't, you may need another loan, which means new closing costs, as well as points and fees.
- **Prepayment penalties.** Prepayment penalties are extra fees that may be due if you pay off the loan early by refinancing or selling your home. These fees may force you to keep a high-rate loan by making it too expensive to get out of the loan. If your loan includes a prepayment penalty, understand the penalty you would have to pay. Ask the lender if you can get a loan without a prepayment penalty, and what that loan would cost. Then decide what's right for you.
- **Whether the interest rate for the loan will increase if you default.** An increased interest rate provision says that if you miss a payment or pay late, you may have to pay a higher interest rate for the rest of the loan term. Try to negotiate this provision out of your loan agreement.
- **Whether the loan includes charge for any type of voluntary credit insurance, like credit life, disability, or unemployment insurance.** Will the insurance premiums be financed as part of the loan? If so, you'll pay additional interest and points, further increasing the total cost of the loan. How much lower would your monthly loan payment be without the credit insurance? Will the insurance cover the length of your loan and the full loan amount? Before you decide to buy voluntary credit insurance from a lender, think about whether you really need the insurance and check with other insurance providers about their rates.

You'll also want to ask each lender to provide, as soon as possible, a written Good Faith Estimate that lists all charges and fees you must pay at closing. Ask for a Truth in Lending Disclosure, too. It states the monthly payment, the APR and other loan terms. Although lenders are not always required to provide these estimates, they're very helpful because they make it easier to compare terms from different lenders.

2. After Choosing a Lender

- **Negotiate.** It never hurts to ask if the lender will lower the APR, take out a charge you don't want to pay, or remove a loan term that you don't like.

Facts for Consumers

- Ask the lender for a blank copy of the form(s) you will sign at closing. While they don't have to give you blank forms, most legitimate lenders will. Take the forms home and review them with someone you trust. Ask the lender about items you don't understand.
- Ask the lender to give you copies of the actual documents that you'll be asked to sign as soon as possible. While a lender may not be required to give you all of the actual filled-in documents before closing, it doesn't hurt to ask.
- Be sure you can afford the loan. Figure out whether your monthly income is enough to cover each monthly payment, in addition to your other monthly bills and expenses. If it isn't, you could lose your home — and your equity — through foreclosure or a forced sale.
- If you are refinancing a first mortgage, ask about escrow services. Ask if the loan's monthly payment includes an escrow amount for property taxes and homeowner's insurance. If not, be sure to budget for those amounts, too.

3. At Closing

- Before you sign anything, ask for an explanation of any dollar amount, term or condition that you don't understand.
- Ask if any of the loan terms you were promised before closing have changed. Don't sign a loan agreement if the terms differ from what you understood them to be. For example, a lender should not promise a specific APR and then — without good reason — increase it at closing. If the terms are different, negotiate for what you were promised. If you can't get it, be prepared to walk away and take your business elsewhere.

- Before leaving the lender, make sure you get a copy of the documents you signed. They contain important information about your rights and obligations.
- Don't initial or sign anything saying you're buying voluntary credit insurance unless you really want to buy it.

4. After Closing

Having second thoughts about the loan? **The Truth in Lending Act** gives most home equity borrowers at least three business days after closing to cancel the deal. This is known as your right of "rescission." In some situations (ask your attorney), you may have up to three years to cancel. To rescind, you must notify the creditor in writing. Make sure you document your rescission. Send your letter by certified mail, and request a return receipt. That will allow you to document what the creditor received and when. Keep copies of your correspondence and any enclosures. After you rescind, the lender has 20 days to return the money or property you paid to anyone as part of the credit transaction and release any security interest in your home. Remember that you must then offer to return the creditor's money or property, which may mean getting a new loan from another lender.

Where to Complain

If you think your lender has violated the law, you may wish to contact the lender or loan servicer to register your concerns. At the same time, you may want to contact an attorney, your state Attorney General's office or banking regulatory agency, or the Federal Trade Commission. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free

Facts for Consumers

High-Rate, High-Fee Loans

The Home Ownership and Equity Protection Act (HOEPA) may give you additional rights if your loan is a home equity loan, second mortgage or refinance secured by your principal residence and if:

- the loan's APR exceeds by more than 8 percent the rate on a Treasury note of comparable maturity on a first mortgage, or the loan's APR exceeds by more than 10 percent the rate on a Treasury note of comparable maturity on a second mortgage.
- the total fees and points at or before closing exceed \$499 or 8 percent of the total loan amount, whichever is larger. (The \$499 figure is for 2004 and is adjusted annually.) Credit insurance premiums written in connection with the loan count as fees for this purpose.

If HOEPA applies:

- A lender may not engage in a pattern or practice of lending based on home equity without regard to the borrower's ability to repay the loan.
- You must get certain disclosures from the lender at least three business days before closing.
- Your lender cannot make a direct payment to a home improvement contractor.
- Certain loan terms are illegal — such as most prepayment penalties and increased interest rates at default.
- In most situations, your loan cannot have a balloon payment due in less than five years.
- Due-on-demand clauses may not be used unless the consumer defaults.
- A lender that has made a HOEPA loan to a borrower generally may not refinance that loan into another HOEPA loan within the first year.
- Your lender may not call a one-time loan a line of credit.

A high-rate or high-fee loan might be right for you, but be aware that it has risks. It is an extremely expensive way to borrow money. You could lose your home if you can't make the payments.

information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

For More Information

The American Association of Retired Persons has information about predatory lending. You can access information by phone: toll-free 1-800-424-3410; by mail: AARP, 601 E Street, NW, Washington, DC 20049; or on the Web: www.aarp.org/consumerprotect-home loans.

Federal Trade Commission
Bureau of Consumer Protection
Division of Consumer and Business Education
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instructor class resources

section quizzes

homebuyer education are you ready to buy a home?
part one

True or False

Circle the correct answer.

T F According to the IRS definition, a first time homebuyer is an individual who has not had ownership in a main home for the past three years.

T F A spending plan is important because it encourages savings and helps identify wasteful spending, prepares you for unexpected expenses, and helps you maintain good credit.

T F When you dispute an erroneous item in your credit report, the credit-reporting agency has no time limit to conduct follow-up on your dispute.

T F If you do not have credit history, you will never be approved for a mortgage loan.

Matching

Match the term in Column A with the definition in Column B. Put the letter under Column B next to the term in Column A.

<p>a</p> <p>Gross income _____</p> <p>Fixed expenses _____</p> <p>Wants _____</p> <p>Variable expenses _____</p> <p>Revolving account _____</p> <p>Inquiry _____</p>	<p>b</p> <p>A. When a credit report has been requested and reviewed</p> <p>B. The money you earn before taxes and other deductions</p> <p>C. Also known as flexible expenses; those that change from month-to-month</p> <p>D. An account where the balance changes every month</p> <p>E. Living expenses that remain the same each month</p> <p>F. Items or things we desire but can live without</p>
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homebuyer education mortgage lending
part two

True or False

Circle the correct answer.

T F In a preapproval, the lender does not verify any of the information you provide, such as income and debt.

T F When you apply for a mortgage loan, the lender will use your gross monthly income.

T F A conventional loan is a mortgage loan that is not insured by the federal government.

T F The annual percentage rate (APR) is what a borrower should refer to when comparing loans because this is the true cost of the mortgage loan on a yearly basis.

Matching

Match the term in Column A with the definition in Column B. Put the letter under Column B next to the term in Column A.

<p>a</p> <p>Appraisal _____</p> <p>Housing ratio _____</p> <p>Loan-to-Value (LTV) _____</p> <p>Deed of Trust _____</p> <p>Promissory Note _____</p> <p>Truth-in-Lending (TIL) _____</p>	<p>b</p> <p>A. Connects the debt to the property as security and contains the loan terms</p> <p>B. The balance of the mortgage owed on the home compared to the appraised value</p> <p>C. A report that gives the lender an independent evaluation of the property's current market value</p> <p>D. The maximum amount of income that can go toward your mortgage payment</p> <p>E. A document that shows full disclosure of the true cost, fees, and loan terms</p> <p>F. A publicly-recorded document that secures the loan and is evidence of the debt</p>
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homebuyer education real estate
part three

True or False

Circle the correct answer.

T F You will lose your earnest money deposit if any of the items listed on your Contract to Purchase are not completed on time.

T F You do not need a home inspection on a newly- built home.

T F It is recommended that you visit the property and neighborhood at various times of day.

T F HUD homes are foreclosed homes where the previous owner had a conventional loan.

Matching

Match the term in Column A with the definition in Column B. Put the letter under Column B next to the term in Column A.

<p>a</p> <p>Earnest money _____</p> <p>Buyer Agency Contract _____</p> <p>Homeowners Association (HOA) _____</p> <p>Inspection _____</p>	<p>b</p> <p>A. A report that will address the condition of the property and identify any potential issues</p> <p>B. Comprised of homeowners who oversee the financial statements and assures the property is maintained</p> <p>C. A good faith deposit that shows the borrower is serious about buying the home</p> <p>D. An agreement that specifies terms, buyer/broker relationship, obligations, compensation, etc.</p>
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homebuyer education post purchase
part four

True or False

Circle the correct answer.

T F Your mortgage payment is due on the first of the month and late on the 2nd.

T F You do not have to worry about maintaining good credit after closing on your mortgage loan.

T F If you are having trouble making your mortgage payment, you should contact your mortgage lender/servicer first.

T F Your homeowners association (HOA) can foreclose on your property if you do not pay HOA dues.

Matching

Match the term in Column A with the definition in Column B. Put the letter under Column B next to the term in Column A.

<p>a</p> <p>Forbearance agreement _____</p> <p>Loan modification _____</p> <p>Deed-in-lieu of foreclosure _____</p> <p>Repayment plan _____</p>	<p>b</p> <p>A. An agreement whereby the property is transferred to the lender to fully satisfy the debt</p> <p>B. An agreement to make up missed payments by paying an additional amount until you are caught up</p> <p>C. A lender/servicer, based on your financial situation, could consider a temporary reduction or payment suspension</p> <p>D. An agreement that changes one or more of the terms of the loan</p>
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