Successful Homeownership

Protecting Your Investment

Now you are a homeowner! Your home will undoubtedly be your greatest asset – a home is the largest investment most of us make in our lifetime. Protecting that asset helps ensure its longevity and will increase the likelihood of its appreciation in value over time. Protecting your home means becoming involved in and knowledgeable about your community, learning how everything in the house works, and the kind of routine maintenance it needs. It means continuing to manage your money wisely, saving it for a rainy day, and paying your mortgage on time every month. Here are some valuable tips to keep in mind:

1. Always pay your mortgage by the first of every month – make it your top-priority bill to pay, even when you're having financial difficulty. You can arrange for an automatic withdrawal of the payment out of your account on the first of every month. Homewise clients are required to sign up for auto payment of their mortgage.
2. Typically, once a payment is 15 days late, a late fee is charged (usually 5% of the principal and interest amount, or whatever is written in your mortgage note).
3. If you have financial trouble and are struggling to make mortgage payments, contact your loan servicer at the **first** sign of trouble to make payment arrangements. The further you get behind, the more difficult it will be to bring payments up to date. Call Homewise for assistance.

   Here are three key terms for you to know and understand:

   Delinquent: A loan payment that is past due but not yet in default.

   Default: Failure to make mortgage payments when they are due.

   Foreclosure: Legal process by which the lender takes possession of and sells a mortgaged property because the borrower has not met the terms of the loan.

4. Re-evaluate the coverage needed **yearly** and secure guaranteed replacement on Homeowner's Insurance. Scrutinize your annual premium. It should not increase by more than 5% in any one year unless you've made big changes
5. Take photos or a video of the contents in your home. Keep these in a fireproof safe or safe-deposit box.
6. Maintain and refine your budget – make sure you have reserves for maintenance and emergencies.
7. Use the 'Maintenance Checklist' (page 115) to help you with preventive maintenance.
8. Know the terms of the warranty on your home (if the home is new) and on appliances in the home that may still be under warranty.
9. Consider changing the locks on your house when you move in, and adding exterior lights where needed.
10. Get to know your neighbors and work with your community to build a safe and friendly neighborhood. Some neighborhoods have associations you can get involved in; others have more loosely organized groups.
11. Create a house file for important documents and store important documents in a fireproof safe or safe-deposit box.
12. Consider whether your life insurance policy is adequate.

There's a lot to learn when it comes to being a new homeowner. We can help! Sign up for our FREE post purchase workshop, *Homeownership 101*. We'll help you understand and prepare for what it takes to be a successful, long-term homeowner. Topics include home maintenance, finances, and ways to create a spirit of community with your neighbors.

Sign up at www.homewise.org/classes

HELPFUL TIP

Remember to contact your lender at the first sign of financial trouble. Establishing your willingness to pay may provide you with opportunities to prevent foreclosure on your home. Call the lender, then follow up with a letter referring to the phone call and your intent and plan to pay. Working with your lender early on could make the difference in times of trouble!

Home Safety

Soon after you move in, have a family meeting to design a home safety program. Each family member needs to learn and practice the program. Disasters may seem like unreal events that happen to other people. Unfortunately, fires and accidents can happen. Be prepared.

Plan for home safety: Check off each item as you complete it:

_____ Install smoke detectors – the main cause of death in house fires is from smoke inhalation. Put smoke detectors outside each bedroom and near the kitchen and living room. If battery-operated, change the batteries twice a year.

_____ Keep fire extinguishers in your kitchen and garage.

_____ A chain-link safety ladder stored in a closet or under a bed can give you a way to escape from a second-story window.

_____ Carbon-monoxide detectors are a critical way to protect you from this colorless, odorless, deadly gas. Install one near where you and your family sleep.

_____ Ask the fire department to provide a fire inspection and develop an emergency evacuation plan.

_____ Buy a first-aid kit and check it once a year to make sure medicines are not out of date and that the kit is complete.

_____ Make sure emergency numbers are posted in an area available to all family members.

_____ Know the locations of the main electrical switch and the main cutoff valves for water and gas and how to shut them off.

Confused about mortgage insurance?

No wonder – it's a confusing topic. Although some types of insurance can provide a good safety net, don't be fooled into thinking you should purchase every type of policy that comes your way. Many completely different types of insurance are referred to as 'mortgage insurance.'

Here are a few:

Private Mortgage Insurance (PMI)/Mortgage Insurance (MI)

This type of policy is almost always required by the lender if your down payment is less than 20% of the price of the house or if you have an FHA loan. It protects the lender in case you do not pay your mortgage and the lender has to foreclose. You usually pay a mortgage insurance fee at closing, and then a monthly mortgage insurance fee as part of your mortgage payment until you have paid off 20% of your loan and you've met certain other conditions. At this point PMI may be canceled on Conventional Loans. On an FHA loan, the PMI will last the life of the loan. Keep an eye on your amortization schedule, prepay as often as possible, and contact your lender to request a PMI cancellation when you believe your equity has reached 20%. The lender will consider your equity and the current market value of the home when determining whether to cancel your PMI. You should call to verify it has been canceled. Your lender will make all the arrangements for the mortgage insurance at the time of closing. PMI, or your Mortgage Insurance Premium works differently for government loans, such as FHA, VA, or RSD/RHS loans so always talk to your lender for further details.

Life Insurance/Term Insurance

Life insurance can provide you with a way for your family to keep your home if you pass away. Without insurance coverage, your family could lose the home if you die before the mortgage is paid off. A Term Insurance Policy may be a good option. Term insurance pays a benefit only if you die during a specified period of time. Initial premiums for term insurance are lower than those for 'permanent' or 'whole life' insurance, allowing you to buy higher levels of coverage at a younger age, when the need for protection is greatest.

Disability Insurance

This coverage pays your monthly mortgage payment if you become disabled due to an injury or illness. Your mortgage company may solicit you for this insurance frequently. Their intent is good, because you are more likely to become disabled than you are to die prematurely. However, the coverage offered by the mortgage company will generally be very expensive. You should check with your employer to see if they provide a disability plan, which will provide you with income during your period of disability. If not, your insurance agent can probably provide this insurance more cheaply than the mortgage company can.

Mortgage Life Insurance

This is really just regular life insurance, but the premium is added to your monthly mortgage payment instead of getting a separate bill from your insurance agent. Unlike a term life insurance policy, the amount of coverage provided by Mortgage Life Insurance declines at the same rate as your loan balance. Such policies may require that, in the event of your death, the money be paid only to the mortgage company. This coverage is generally more expensive than regular term life insurance from your insurance agent.

Mortgage Payment Insurance

If you are forced out of your home due to a fire or other disaster, you will still have to make mortgage payments, but will also be burdened with temporary living expenses while your home is being repaired. **This insurance is usually unnecessary because your homeowner's policy may give you this same protection.**

How Much Coverage Do You Need?

When you buy homeowner's insurance, you need to decide how much to insure your home for. Your insurance agent can help you decide what amount of insurance coverage is needed to cover the house, both structures and personal items. Keep in mind that the lender is likely to require that the amount of dwelling coverage be at least the amount of the first mortgage loan, **but you always want to make sure that you are covered for the amount it would cost you to rebuild the home in case of a disaster**. Moreover, the lender **may** require that your coverage be equal to 80% of the value of the home — this means the appraised value of the home, not what you actually paid for it (which could be a lot less).

Shop Around

Always get at least three quotes. It'll take some time, but could save you a good sum of money. Start with the company that carries your car insurance — some companies will take 5 to 15% off your premium if you have multiple policies with them. Ask your friends, check the Yellow Pages and Internet, or call the state insurance department. Make sure to use the same information and coverage limits so you are comparing apples to apples.

Raise Your Deductible

A deductible is the amount of money you have to pay toward a loss before your insurance company starts to pay a claim. The higher your deductible, the more money you can save on your premiums. Nowadays, most insurance companies recommend a deductible of at least $500. If you can afford to raise your deductible to $1,000, you may save as much as 25% on your yearly premium payment. Make sure you have $1,000 in emergency savings should you need this to cover a deductible of $1,000.

What Type of Coverage Should You Get?

Replacement-cost policies cover the full cost of replacing damaged areas of your home with new property of like kind and quality, up to your policy's limits, regardless of depreciation. Extended replacement-cost coverage will provide a certain percentage over the policy limit to rebuild your home – 20% or more, depending on the insurer. Be sure to get Guaranteed replacement coverage on your personal property. This coverage will pay out whatever it costs to replace your personal property. ***Read Everything Before You Sign!*** After the application is complete but before you sign it, read it again to make sure that all information is correct and nothing has been left out. Never sign a blank form. After you sign the document, keep a copy for your records.

Keep an Inventory of Personal Property

List all of the items you own, the dates purchased, model or serial numbers, and the price. If possible, take pictures of important and valuable items. Keep these records in a safe place away from home, preferably in a safe-deposit box. Update the inventory periodically. This will help you to file and settle your claim quickly.

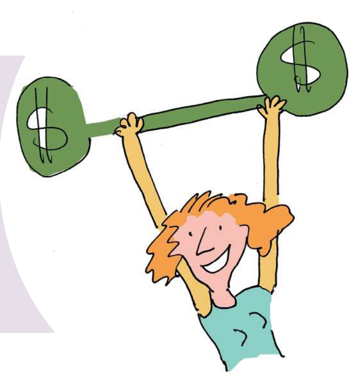
Canceling Your Policy

You have the right to cancel your policy with a particular provider at any time. If you cancel your policy, you may get a refund of some of your premium. If you do choose to switch insurance companies, make sure you have done your homework and lined up another company and policy to take over when you cancel your first policy. Always let your loan servicer know of any provider changes.

HELPFUL TIP

Review the Limits in Your Policy and the Value of Your Possessions at Least Once a Year

You want your policy to cover any major purchases or additions to your home, but you don't want to spend money for coverage you don't need. Keep in mind that, as the value of your home increases and as building costs increase, you need to increase your dwelling coverage amount as well.



Guide to Homeowner's Insurance

Have the following information ready when shopping for homeowner's insurance.

You can get most of this information from your Homewise Homes Selection Specialist or Real Estate Broker.

Purchase Price:____________________ Loan Amount: ______________________________

Square Footage:____________________ Year Built: ______________________________

Type of Construction: ____

Type of Heating: ____

Air-Conditioner: ____

Type of Roof: ____________________ Age:____________________

Other Dwellings: ____

Wood Stoves/Fireplaces: ____

Alarm/Security System:____

Value of Personal Property:____

(items such as jewelry, silverware, firearms, computers, etc.)

Distance to the nearest fire station and fire hydrant: ____________________________

Get your first estimate from the company with which you insure your car. Then, using the same information and coverage limits, shop around for a couple of other estimates.

Insurance Company:____________________ Contact: ______________________________

Yearly Premium: ____________________ Phone: ______________________________

Comments: ____

____

Insurance Company:____________________ Contact: ______________________________

Yearly Premium: ____________________ Phone: ______________________________

Comments: ____

____

Insurance Company:____________________ Contact: ______________________________

Yearly Premium: ____________________ Phone: ______________________________

Comments: ____

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DECLARATIONS

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

Coverage afforded by this policy is provided by:

Policy Number

Named Insured and Mailing Address

The Policy Period begins and ends at 12:01 a.m. Standard Time at the residence premises.

03/01/2019	**Effective Date**
	12 months - Policy Period
03/01/2020	**Expiration of Policy Period**

Automatic Renewal - If the Policy Period is shown as **12 months**, this policy will be renewed automatically subject to the premiums, rules and forms in effect each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Limit of Liability - Section 1
$298,000 Dwelling (Coverage A)

Policy Type Homeowners Policy
A1 - Replacement Cost - Similar Construction
Increased Dwelling Up to $59,600 - Option ID

Deductibles - Section 1 1/2% $1,490
ALL LOSSES In case of loss under this policy, the deductible will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to your policy.

Location of Premises

Policy Premium $883.00

Forms, Options, & Endorsements
Building Ordinance or Law - Option OL (% of Coverage A)
HW 2131 Homeowners Policy

Mortgagee & Addl. Interests
MORTGAGEE
HOMEWISE INC ITS SUCCESSORS AND/OR ASSIGNS
1301 SILER RD STE D
SANTA FE, NM 87507-3540
Loan Number:

Agent Name & Address

Prepared: 01/30/2019
559-916.6

Agent's Code:
MORTGAGEE COPY

Organizing Your Records

With homeownership comes keeping records. To get your tax benefits, you will need to have records of your expenses. If you have a break-in or a storm damages your house, you will need your insurance policy. If your new water heater leaks, you need to quickly find the warranty. Not having an organized system for keeping these records could become costly.

Organize your records for safety and accessibility. It's important that valuable or hard-to-replace documents be kept in a safe place, such as a safe-deposit box at a bank or a fireproof box at home, and that the relative/friend/attorney who would tend to your affairs in the event of your incapacitation or death has easy access to the documents that would be needed.

Where to Store Important Documents

SAFE-DEPOSIT BOX	FIREPROOF BOX AT HOME	FRIEND/RELATIVE/ ATTORNEY*
Automobile title	Canceled checks	Burial instructions
Birth certificates	Recent tax records	Living will
Citizenship papers	Insurance policies	Power of attorney
Death certificates	Living will	Trust documents
Personal property inventory	Power of attorney	Will (copy or original)
Property deeds	Original will	Summary page of important financial and personal information necessary in the event of your death
Education degrees	Trust documents	
Legal documents	Warranties	
Marriage documents	Summary page of important financial and personal information necessary in the event of your death	
Military documents		
Stock/bond certificates		
Back tax records		

Do not put the original copy of your will in your safe-deposit box. Some states require that a safe-deposit box be sealed at the renter's death, and not be opened until the probate process is completed. This could take a year or more.

*Documents placed with an attorney or another person for safekeeping should also be stored in your fireproof box at home or in a safe-deposit box.

	FALL	SPRING	ANNUALLY	AS REQUIRED		FALL	SPRING	ANNUALLY	AS REQUIRED
YARD & GROUNDS					**FLOORS**				
A. Clean up leaves & dead plants		X			A. Inspect for creaking boards, loose or missing tiles, worn areas		X		
B. Seal cracks in drive, sidewalks, patios	X				B. Check baseboards & molding		X		
C. Drain hose & outside faucets	X				C. Test staircases for loose handrails, posts, treads		X		
BASEMENT, CRAWLSPACE & FOUNDATION					**INTERIOR WALLS & CEILINGS**				
A. Check for signs of dampness, cracked walls, or damaged floors		X			A. Check condition of paint & wallpaper				X
B. Inspect structural beams		X			B. Repair cracks, holes, or damage				X
C. Check for signs of termites or other vermin		X			C. Check all tile joints, grouting & caulking				X
EXTERIOR WALLS					**ELECTRICAL SYSTEM**				
A. Check paint & repaint if necessary	X				A. Repair broken switches and outlets				X
B. Check masonry walls for any damage	X				B. Replace any fuses or circuit breakers at first sign of damage				X
C. Replace loose or missing caulking	X								
D. Check all trim work	X	X							
E. Check parapets for cracks	X	X							
DOORS & WINDOWS					**HEATING & COOLING SYSTEM**				
A. Check all weather stripping & caulking	X				A. Clean or change air filters	X			
B. Check storm windows & doors	X				B. Have system checked by qualified service person				X
C. Check for broken or loose screens & clean	X				C. Clean & clear area around heating and cooling equipment	X	X		
D. Check & lubricate window & door hardware	X	X							
E. Test burglar alarm			X						
ROOF, GUTTERS & CANALES					**PLUMBING SYSTEM**				
A. Clean gutters & downspout strainers	X				A. Check water pressure when taps in bathrooms & kitchen are turned on				X
B. Check gutters for leaks & proper alignment	X				B. Check all faucets for leaks	X	X		
C. Check all vents & openings for debris	X				C. Clean slow-running or clogged drains				X
D. Inspect flashings around roof stacks	X				D. Check water heater				X
E. Check fascias & soffits for decay & peeling paint	X				E. Check septic tank				X
F. Inspect chimney for any loose or missing mortar	X				F. Remove hoses from outside faucets before first freeze.	X			
G. Inspect canales	X								
H. Check for blisters on flat roof			X						

Protecting Your Equity and Building Financial Security

If you were to sell your home today, how much of the sales price would go into your pocket? The answer to this question is your equity, or financial interest, in your home. Equity is built through the portion of your monthly mortgage payment that goes toward your principal balance and the appreciation, or increase, in your home's market value.

Here is an example of equity:

	Current value of house	$200,000
-	Mortgage loan balance	- 160,000
=	Equity	**$40,000**

Your equity is an asset. As your equity grows, you are building your financial future. If your housing needs change, you can sell your house and use the equity to buy a different house. It is also possible to use your equity without selling.

Refinancing

When you refinance, you get a new mortgage loan to pay off your existing mortgage. If the terms of mortgage loans available now are better than the terms of the mortgage you have, refinancing can save you a significant amount of money in the long run. If you're thinking about refinancing, consider the following:

%

Refinancing for a **LOWER** interest rate with low closing costs will help you save money and build equity faster.

If the refinanced interest rate is at least 1–2% lower than the interest rate on your current mortgage and has low closing costs, there are many benefits to refinancing:

- your monthly mortgage payment will be lower
- you'll save money on interest
- or you can build equity more quickly if you choose a new loan with a shorter term (which will give you larger monthly payments but lower overall interest costs).

%

Refinancing for a **HIGHER** interest rate or to take **cash out** depletes the equity you have in your home.

If you take cash out for debts such as credit cards or to pay off a car and the interest rate on your new loan is higher than your current mortgage, or may go higher because it is adjustable, you are using the equity you've built to cover consumer debt that could be paid in other ways. Consider other options for paying off these kinds of debts that do not put your home at risk. Come to our free Financial Fitness for Life class to learn more about your other options.

If at some point down the road you consider refinancing your mortgage, Homewise can help! Our lending team is here to provide you with information and help you decide what makes the most financial sense. Homewise can also help if you eventually decide to make some energy-efficient home improvements. We offer affordable fixed-rate home improvement loans to help you maintain and/or add value to your home.

Home Equity Loans

You can also access the equity you have in your home through a Home Equity Loan or a Home Equity Line of Credit (HELOC). When you get a home equity loan, your first mortgage stays the same. The amount you borrow is a second, or junior, loan secured by your house. If you do not repay the second loan, the lender can foreclose, just as your mortgage lender can. These loans generally have higher interest rates and must be paid back more quickly than your mortgage loan.

The loan can be for a fixed amount of money or it can be a credit line. A credit line is somewhat like a credit card, but remember – your home is the collateral. If you are unable to make credit-card payments, you don't lose your home; but if you are unable to repay a HELOC, you **can** lose your home. You are approved to borrow up to a certain amount of money and can borrow it in small or large amounts as you need it rather than all at one time. You pay interest only on the amount you actually borrow.

Certified Financial Planners recommend that you think about a home equity loan or line of credit as a source for goals that outlast the life of the loan, or for important financial goals such as a child's education, and that you make sure you will have the money to back the loan over time. For example: If you refinance or take out a home equity loan to pay off a car loan and the car lasts for three years, you'll need another car loan when you'll still be paying off the first loan.

HELPFUL TIP

An emergency and home-maintenance savings reserve built now can save you the cost of having to borrow money for future repairs at high interest rates later. Financial Planners recommend that you set aside six months of living expenses for a one-income household and three months of living expenses for a two-income household for future emergencies. Save what you feel comfortable with for a future rainy day.

Don’t Borrow Trouble: Protect Your Equity

Once you own a home and have built some equity, financial companies will offer ways for you to borrow from that equity. Be cautious of these offers and ask yourself, “What’s in it for them? What do they make off of this deal?”

Predatory lenders are companies that target homeowners who are generally ‘equity-rich and cash-poor’ – homeowners with home equity who need cash for credit problems, particularly elderly and lower-income households. They tend to charge excessive fees, points, and interest rates, and to employ aggressive or deceitful practices. Taking a loan from a predatory lender can lead you to a foreclosure.

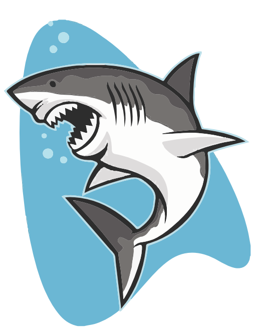
Predatory Lender Hooks: Don’t let them hook you!

- “Consolidate your debts!”
- “Low monthly payments!”
- “Bad credit? No problem!”
- “Let us refer you…”
- “Take that vacation you’ve always wanted!”
- “Need cash right now?”

Early Warning Signs: You know the sharks are circling when…

- The office is a one-stop shop for cash, credit, loans, and/or other services
- You are pressured into signing agreements before you have read and understand them
- The payment schedule includes a large ‘balloon’ payment
- The agency acts as a referral service for other lenders
- There seems to be an unreasonable number of fees
- Additional unwanted services are added to the contract

Watch out for:



- High interest rates and fees
- Balloon payments
- Negative amortization (eventually owing more on the loan than the home is worth)
- High loan-to-value loans (in excess of the home’s value)
- Prepayment penalties
- Additional charges for unnecessary credit life insurance and other ‘extras’
- Arbitration clauses (the consumer gives up the right to a hearing with the court system should a problem arise with the loan)
- Adjustable interest rates with promises to refinance at a later date

Tips for Avoiding Predatory Lenders: If it sounds too good to be true, it probably is!

The following are questions to ask any lender if you decide to apply for a loan. You should receive a Loan Estimate that states the following in writing as well.

- What's the total amount financed?
- What's the interest rate? Is it fixed, or adjustable over the term of the loan?
- How much cash will I receive?
- What's the total monthly payment?
- What's the length of the loan or term?
- What's the Annual Percentage Rate (APR)?
- How does the APR compare to the advertised rate?
- Are there any prepayment penalties? If so, what are they?
- Does the interest rate escalate if I'm delinquent on the loan payment?
- Are there any restrictions that would prevent me from refinancing this loan?
- What fees are charged?

Keep your home equity protected and avoid predatory lenders at all costs by following these tips:

- Never sign a contract without understanding all the terms.
- Use an attorney or trusted financial advisor.
- Use the three-day 'Right of Recision' to back out of a contract if you signed in a rush.
- Don't roll unsecured debts (credit-card balances, loans, etc.) into a secured debt with your home as collateral. If you fail to make payments, you may lose your home!
- Look at more than the monthly payments! Remember fees, interest rate, and the APR.
- Be wary of door-to-door, phone, and mail solicitations.
- Don't feel pressured into making a decision on a loan.
- Shop around for loans.

BORROWING TIP!

Don't Borrow Trouble: Protect Your Equity. Adding more debt is no way to eliminate debt! Don't be tricked! There are costs to consolidate your debts through refinance and Home Equity Lines of Credit.

Eliminate debts and save for future cash needs through a long-term strategy called **Power Pay**, a debt-reduction plan that will cost you only time. In the end you will have eliminated your debt. Learn about this strategy in our Financial Fitness for Life class. For more information, call **Homewise** at **505.983.WISE(9473).**