A blue and gold logo

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**Sent** as a Word document so you can type your answers on this page and submit. Please save the file with your name before submitting.

FROM\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**PART 1 - REVIEW THE FOLLOWING PURCHASE CONTRACTS:**

11.42 Residential Contract of Sale (Blumberg form #125)

11.43 Condominium Unit Contract of Sale

ENTER the clause number where these issues are discussed.

|  |  |  |  |
| --- | --- | --- | --- |
| Issue | | Form 11.42  Residential Sales Contract Clause # | Form 11.43  Condominium Unit Contract  Clause # |
| 1. | The purchase price, amount of the down payment, amount of the mortgage, amount the buyer must bring to the closing. (Purchase Price clause) |  |  |
| 2. | Is the refrigerator, range and microwave oven included in the sale? (Personal Property Clause) |  |  |
| 3. | Who will hold the Downpayment? (Downpayment in Escrow) |  |  |
| 4. | What financial adjustments will occur at the closing – thus what credits go to the seller or to the buyer specifically real estate taxes, water and sewer charges, fuel (apportionments and Other Closing Adjustments) |  |  |
| 5. | What is the date by which Buyer must have a mortgage commitment? What is the amount of the mortgage the Buyer will be applying for? What is the term (length) of the loan, the buyer expects to get? (The mortgage contingency clause) |  |  |
| 6. | Where the closing will take place (Closing date and place) |  |  |
| 7. | Identify the Broker and confirm that they were the only brokers involved in the transaction (Broker clause) |  |  |
| 8. | The Seller will deliver the Condominium’s signed agreement for the “Right of First Refusal” indicating they relinquish their right to buy the unit | Not in Contract |  |

**PART 2 - MORTGAGE SHOPPING**

Contact two banks and get their current rates and terms.

Suggestion – it's best to do this by calling and speaking with a live representative.

Another option is to search for your local bank's name on Google and ask for their current mortgage rates. However, if you start entering information online, you may end up with mortgage brokers contacting you.

When you do talk to a bank tell them:

* You are a First-time home buyer.
* Looking to purchase a single-family home. (or condo) But say the same thing with both banks.
* Which will be used as your primary residence
* Your credit score is 725.
* You will put down 20%
* Give your local zip code (offers vary depending on location)
* You are just researching rates (you have not yet signed a purchase agreement)
* You are not yet working with a realtor
* You are employed
* You have not had any bankruptcies in the past 3 years
* The price of the property - it should be within your realistic purchase range.

Complete the following chart

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Bank #1 | Bank #2 |
| 1 | Name of Bank |  |  |
| 2 | Interest Rate for 0-point **30-year** term fixed rate mortgage |  |  |
| 3 | Interest Rate for 0-point **15-year** term fixed rate mortgage |  |  |
| 4 | Interest Rate for 1 point **30-year** term fixed rate mortgage |  |  |
| 5 | Interest Rate for 1-point **15-year** term fixed rate mortgage |  |  |
| 6 | Do they offer 0-point variable rate loans?  if yes,   * What is the initial interest rate? * How long will they hold that rate? * After the initial period how often does the rate adjust? * What is the adjustment based on? |  |  |
| 7. | What is their application fee? |  |  |
| 8. | How much is their appraisal fee? |  |  |

**PART 3: HOW MUCH OF A MORTGAGE CAN YOU AFFORD**

|  |  |
| --- | --- |
| * 1. **SET A MONTHLY HOUSING BUDGET**. This should be at most 40% of your gross income. Thus, if you earn $60,000 annually or $5,000 monthly, your housing budget should be no more than $2,000 monthly. Your housing budget will need to cover the following: | **Housing budget +** |
| * 1. **FIND A PROPERTY (that interests you) & DETERMINE ONGOING FEES** | TOTAL of  the three ongoing fees = |
| Maintenance/Common Charges (if a condo or cooperative) = $ |
| Real Estate Taxes = $ |
| Insurance = $ |
| * 1. **SUBTRACT #2 FROM #1 HOUSING BUDGET** This *is the amount left over to pay the mortgage* | **$** |
| * 1. Divide #3 by $ 655.30   This is the cost to borrow $100,000 at 7% for a 30-year fixed-rate mortgage, every |  |
| * 1. Multiply #4 by $100,000 | $  Amount of mortgage you can afford |

**Example**

|  |  |  |  |
| --- | --- | --- | --- |
| 1 | Monthly Housing budget |  | $ 3,000.00 |
|  | Monthly HOA fee - Maintenance or Common charge | $ 800.00 |  |
|  | Monthly Real Estate taxes | $ 650.00 |  |
|  | Monthly Insurance | $ 80.00 |  |
| 2 | TOTAL Monthly ongoing fees |  | $ 1,530.00 |
| 3 | Left over to service mortgage |  | $ 1,470.00 |
|  | Divide #3 by |  | $ 665.30 |
| 4 |  |  | 2.20952 |
|  | Multiply by |  | $100,000 |
| 5 | Mortgage you can afford |  | $220,952 |