Buying a Home: What you need to know

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Owning a home has long been “the American dream.” It’s a long-term commitment, but as your equity increases with time (and payments) your home will be a source of financial stability for you.

There are many things to think about whether you’re buying your first home, moving up, refinancing, or considering a vacation property. Let’s get the conversation started!

Your First Home
Here are some things to consider...

- **Review your budget.** Your financial situation will help you determine if you can afford a house payment, property tax and insurance. (You may be able to buy a home for the same money you spend to rent.) Your budget will help you determine the price range you can afford.

- **Pre-qualify for your Mortgage Loan.** Knowing that you’re pre-qualified to buy a home in a certain price range gives you and your Realtor added bargaining power with the seller.

- **Do a little research on current home prices** in the neighborhoods you plan to target.

- **Think about your lifestyle and how it might affect your choice.** Schools, taxes, services, crime rates, transportation, and zoning are important considerations when selecting a neighborhood.

- **Think about your home’s true cost.** In addition to mortgage payments, there are maintenance costs, property taxes, utilities and insurance.

- **Check into the many first-time homebuyer programs.** Federal, state and even local governments often have a variety of programs. A Mortgage Planner can help you discover which program you may qualify for.

In Wisconsin: **WHEDA Fannie Mae Advantage:** When you use the WHEDA Fannie Mae Advantage, you need less cash to close your loan and you will have lower monthly house payments than with most mortgages. What’s more, you’ll have peace of mind that your rate will never change with their fixed rate and term. **WHEDA FHA Advantage:** With the WHEDA FHA Advantage, Wisconsin residents have the flexibility to leverage down payment assistance and other advantages to buy a home with an affordable mortgage.

In Illinois: **IHDA works with financial partners across Illinois to offer programs that help qualified Illinois first-time homebuyers to receive down payment and closing cost assistance.**

Buying a home can be both exciting and intimidating, so IHDA strives to make the goal of homeownership as streamlined as possible.

Be sure to ask your Blackhawk Mortgage Planner for a current list of what IHDA offers.

Blackhawk Bank is always on top of the wide variety of homebuyer assistance programs. Call to speak with a Mortgage Planner for the latest information on what’s available in your area.

Home Buying 101
What to expect from application to closing.

- **Meet with a Blackhawk Bank Mortgage Professional.** Blackhawk Bank offers free Pre-qualifications. Meet with a Mortgage Planner today so you can shop for your home with confidence.

- **A contract to purchase is written by your Realtor or attorney.** Inform your Blackhawk Mortgage Planner that a contract has been written, and provide a copy. Also, state if you’re having the home inspected, and if you’re hiring an attorney in addition to engaging the services of your Realtor. An appraisal fee will be collected after you receive your Loan Estimate and sign an intent to proceed form.

- **Your file goes to Loan Processing.** The mortgage underYour loan documentation is processed by your Mortgage Planner and a file is submitted to our Underwriting Department. This process varies depending on the documentation you provided. You’ll be notified if additional documentation is needed.

- **An appraisal is ordered.** The appraisal takes approximately 10 days to be completed.

- **Your file goes to Underwriting.** After receiving all of your financial information and the appraisal, Blackhawk Bank’s Underwriter reviews your loan. This process takes 2-3 business days. A commitment letter is mailed out (this will include any additional items to be completed).
Secure homeowners insurance. Contact your insurance agent to obtain insurance on your new home, first year to be paid before closing. Blackhawk will need evidence of insurance 15 days prior to closing. Provide your insurance agent the following Mortgagee Clause*: Blackhawk Bank, Its Successors and /or Assigns PO Box 923, Beloit, WI 53512-0719

*Mortgagee Clause: A property insurance provision granting special protection for the interest of a mortgagee (e.g., financial institution that has an interest in the property.

Schedule your closing. Your Realtor or Attorney will call you to schedule the closing. Contact your Blackhawk Mortgage Planner with the date, time and location.

Your Mortgage Planner will contact you prior to closing. You will receive a mandated Closing Disclosure from Blackhawk Bank 3 business days prior to closing for your review. A Cashier’s check should be made out to your title company or to you. For Illinois: If the amount you need to bring to closing exceeds $50,000 funds must be wired to the title company. For Wisconsin: See your Mortgage Planner for details.

Attend the closing. The title company will require your Cashier’s Check and your photo ID at closing. Lastly, get the keys and enjoy getting settled in your new home!

A Pre-qualification does not constitute a commitment to lend. The Bank’s full underwriting process must be completed. You are not required to provide documentation before a Loan estimate is provided.

Should You Refinance? Is it in your best interest?

The answer depends on a number of factors. For that reason, it’s a good idea to run through a list of questions that can help you evaluate your situation. Here are some points to consider:

- Can you lock in a fixed interest rate, lower interest rate or lower monthly payment? Locking in a fixed or lower interest rate or lower payment can be a good reason to refinance.

- Can you lower your total interest expense? Paying less total interest over the term of a new loan compared with the remaining term on an existing loan can be another good reason to refinance. We will help you to do the math.

- Do you have enough equity? If your home is worth more than you owe on your existing mortgage, you’re in a much better position to refinance than if you made some late payments or missed any payments.

- How much are you willing to pay in closing costs? It may not make sense to pay points and closing costs to refinance even if you could lower your interest rate, payment or total interest expense.

If you decide to refinance, give careful thought about the length of your mortgage term. A shorter term mortgage generally offers a lower interest rate, but higher payment compared with a longer term loan.

The Home Affordable Refinance Program (HARP) is designed to help you get a new, more affordable mortgage loan. Here are the guidelines:

- Your loan must be owned by Freddie Mac or Fannie Mae. (Blackhawk Bank is a Fannie Mae lender).
- Go online to Freddiemac.com or Fanniemae.com to determine if your mortgage is owned by one of them.
- Better yet, give a Blackhawk Bank Mortgage Planner a call for assistance.
- Your mortgage must have been closed before June 1, 2009.
- The program allows for a higher loan-to-value ratio. (Eligibility Dates Apply)
- If your mortgage did not have Private Mortgage Insurance (PMI) you will not be required to obtain it on the new loan.
- In most cases this loan does not follow standard underwriting guidelines. Talk to a Mortgage Planner for details.

![Home](image-url)
Do you really need a larger home?
What to think about before you move.

Many people are considering this choice because of job relocation, a longing to get into a new and better school district, or a chance to live in a larger home in a better neighborhood.

When you’ve lived in your home for several years, there’s a good chance that you’ve built equity. That equity can be used toward the purchase a bigger, better home. And, interest rates for mortgage loans continue to be extremely low.

Before you start searching for that larger home, determine your budget and know how much you can afford for your mortgage payment. It’s advantageous to get pre-qualified with your mortgage lender ahead of time. Be sure to inquire about additional costs; a larger home can mean higher property taxes, insurance, and in some cases, a homeowner’s association fee.

Moving into a bigger home not only means a bigger mortgage payment but also the need for more furnishings, and more maintenance.

Be sure that you allot a certain amount of money for the new expenses that come along with moving up.

Second home or not?
The pros and cons of owning a vacation home.

Tax implications and financing options for purchasing a second home are different from your main residence.

Vacation-home buyers sometimes pay cash if they’re buying a less expensive cabin or condo. Where do they get the money? A home-equity credit line drawn on their primary residence is a favorite source. Talk to a tax advisor about the deductibility of interest on a second home.

Higher interest rates used to be the rule for mortgages on second homes because lenders considered them a greater risk than loans on primary residences. But these days you should be able to find a second-home mortgage at first-home rates. (Exception: if you’ll be counting on rent receipts to help pay the mortgage, the rates will probably be higher.)

The bad news is that, burdened though you may be with two mortgages (or three, counting the home-equity line), lenders will expect you to stay within the debt-to-income limits dictated by Fannie Mae and Freddie Mac. Your total debt payments, including all mortgages, can’t exceed 36% of your gross income. The good news is that if you plan to rent the place, you can count some of that assumed rent as income when calculating the ratio. The lender will tell you what’s an acceptable assumption.

Thinking About A Condo?

Condo dwelling means freedom and easy living for a wide variety of people – first time homebuyers, singles, and retirees. But before you get your heart set on one, you should know that a condominium mortgage has its unique set of considerations and regulations. Talk with a Blackhawk Bank Mortgage Planner; they’ll walk you through everything you need to know so that you don’t encounter any unexpected surprises.