



Baltimore City Homeownership Incentive Programs

BALTIMORE HOUSING
Office of Homeownership
410-396-3124; fax 410-545-6912
www.baltimorehousing.org



Stephanie
Rawlings-Blake
Mayor



Paul Graziano
Commissioner



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Table of Contents

Baltimore City Homeownership Incentive Programs	1
Buying Into Baltimore Fairs and Trolley Tours	1
Baltimore City Employee Homeownership Program	2
Baltimore City Live Near Your Work Program	3
Additional Homeownership Incentives	6
Vacants to Value	6
State Mortgage Programs and Homeownership Assistance	7
Federal Mortgage Programs and Homeownership Assistance	8
Housing Choice Voucher Program	9
Baltimore City Tax Incentives	10
Resources	11
Homeownership Counseling Agencies	11
Homeownership Resources on the Web	12
Maximizing Your Homebuying Experience	13
Office of Homeownership Policies and Procedures	14
Baltimore Housing Refinancing & Release Policy	15
Homeownership Glossary of Terms	16



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Baltimore City Homeownership Incentive Programs

Buying Into Baltimore Fairs and Trolley Tours

Contact: Ernestine Carter 410-396-3124

We mandate that all applicants review the Office of Homeownership Policies and Procedures on page 14 prior to submitting any application for incentives.

What is it?

This program is a joint venture of the City of Baltimore and the Live Baltimore Home Center. Neighborhood tours are scheduled in the spring and fall. The first 50 homebuyers that attend the trolley tour and execute a sales contract within 90 days of the fair receive a \$4,000 award towards closing costs.

Who is eligible?

Homebuyers executing contracts of sale within 90 days of the Buying Into Baltimore Home Buying Fair and Neighborhood Tours. Validated tickets are accepted on a first-come, first-served basis at the Office of Homeownership.

What are the benefits?

\$4,000 down payment and closing assistance with no annual income limits.

What are the restrictions/loan terms?

Mortgage loan may not exceed \$417,000. Buyer must contribute at least \$1,000 towards purchase and must use the property as the principal residence. Borrower must attend the fair, get a ticket, and have ticket validated in at least four tour homes. The home must be located in the designated region for that fair. Contract must be signed after the event. Closing on the property must occur within 90 days of the event date. Loan is forgivable (20 percent per year) over 5 years for each year of occupancy.

How to Receive Your \$4,000 Down Payment and Closing Cost Award

Please note the new requirement by the City of Baltimore in order to qualify for the \$4,000 award.

How to Qualify for the \$4,000 Award

- Attend a Buying Into Baltimore Fair and have your ticket stamped in at least 4 of the 16 featured tour homes.
- You must purchase a home in Baltimore City. This is not limited to only the featured tour homes but can be any home located in the designated region of the city.
- Contract of sale must be signed AFTER the date of the event; contracts signed prior will not be eligible.
- Closing on the property must occur within 90 days of the event.
- Program applicants are required to get one-on-one counseling and a counseling certificate from a City-approved counseling agency prior to signing a contract of sale.
- There are no annual income limits, and you do not have to be a first time homebuyer.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Buyer must:

- Agree to use the Baltimore City property as his/her principal residence.
- Use a Fannie Mae or Freddie Mac approved lender with a mortgage loan amount not to exceed \$417,000.
- Contribute at least \$1,000 towards purchase.
- Complete homeownership counseling and receive a certificate of completion prior to signing a contract of sale.

To Receive Your Award

1. Submit a copy of your executed contract of sale, validated home tour ticket, counseling certificate and picture ID in person to:
Baltimore Housing Office of Homeownership,
417 E. Fayette Street, Suite 1125, Baltimore, MD 21202.
For award information, call: 410-396-3124.
2. All contracts with validated tickets will be accepted on a first-come, first-served basis at the above address.
3. Those received will be stamp-dated and placed on a list for the first 50 received for the fair tour.
4. All others will be placed on a waiting list.
5. If awarded, the City will give an instruction sheet and a commitment letter for the award funds, and funds will be issued at closing.

Baltimore City Employee Homeownership Program

Contact: Marva Allette 410-396-3124

We mandate that all applicants review the Office of Homeownership Policies and Procedures on page 14 prior to submitting any application for incentives.

What is it?

This program is designed to assist employees of the City of Baltimore to become homeowners within the city limits.

Who is eligible?

All active employees of Baltimore City's agencies and quasi-agencies working for a minimum of 6 months.

What are the benefits?

\$3,000 down payment and closing assistance with no annual income limits. An additional \$750 is given for homes purchased in Healthy Neighborhoods target blocks. Borrowers purchasing homes in Healthy Neighborhoods target blocks must notify the Office of Homeownership in writing at the time of application.

What are the restrictions/loan terms?

Property must be located in Baltimore City. Mortgage loan may not exceed \$417,000. Buyer must contribute at least \$1,000 towards purchase and must use the property as the principal residence. Closing on the property must occur within 90 days of the contract date. Only one City employee per household may receive assistance. Loan is forgivable over 5 years, reducing 20 percent for each year of occupancy.



BALTIMORE HOUSING

Office of Homeownership
 417 E. Fayette Street, Suite 1125
 Baltimore, MD 21202
 410-396-3124
www.baltimorehousing.org

Baltimore City Live Near Your Work Program

Contact: Robert Bartolini 410-396-4159

We mandate that all applicants review the Office of Homeownership Policies and Procedures on page 14 prior to submitting any application for incentives.

What is it?

This program is a partnership between participating employers and the City of Baltimore designed to encourage homeownership near place of employment. Please see the table below for list of participating employers.

Who is eligible?

Employees of participating companies who are first time homebuyers in the City of Baltimore. Participating employers have the right to develop additional eligibility requirements for their employees.

What are the benefits?

\$2,000 minimum grant or conditional grant (\$1,000 from City of Baltimore, and \$1,000 from employer) to be used toward down payment and closing assistance with no annual income limits. \$5,000 maximum grant or conditional grant (\$2,500 from the City of Baltimore, and \$2,500 from employer) for participating employers.

What are the restrictions?

Buyer must contribute at least \$1,000 towards purchase and must use the property as the principal residence. Funds are a grant. Participating employers have the right to develop additional program restrictions for their employees, including eligible neighborhoods.

Participating Employers	Contact	Phone	Fax
14 West Administrative Services	Rachel Shifreen	410.895.7997	410.783.8455
A Better Laser Service	Ronald Hoff	410.576.1544	443.315.0057
Accountants on Call	Lisa Witt	410.685.5700	410.685.5736
Advertising.com	Meg Navor	410.244.1370	410.244.1699
Allines, Inc.	Adam Arnold	443.604.1892	410.234.2842
Annie E. Casey Foundation, Inc.	Pattie Sutoris	410.223.2943	410.223.3393
Assoc. of Baltimore Area Grantmakers	Ann Sherill	410.727.0169	410.727.7177
Ayers Saint Gross, Inc.	Melissa Lynch	410.347.8500	410.347.8519
Blind Industries & Services of Maryland	Christina M. Tanner	410.233.4567	410.233.0544
Blue Water Baltimore	Halle Van Der Gaag	410.254.1577	410.254.2206
Bon Secours Balt. Health System	Joanna Pi-Sunyer	410.362.3244	410.362.3443
Broadway Services	Barbara Pettit	410.563.6956	410.563.6960
Brown Capital Management	Charlene Gross	410.837.3243	410.837.6525
Cangene bioPharma	Charity Brown	410.843.5000	410.332.7532
Catalyst IT Services, Incorporated	Peter Lee	410.385.2500	410.285.0522

Baltimore City Live Near Your Work Program (continued)

Employer	Contact	Phone	Fax
Catholic Relief Services	Hope Reilly	410.951.7417	410.234.3129
Chesapeake Digital Printing, Inc.	Gayle Kaplan	410.837.0414	410.837.0263
Cho,Benn,Holback and Associates	Diane Cho	410.576.0440	410.332.8455
Civic Works	Dana Stein	410.366.8533	410.366.1831
CMD Outsourcing Solutions	Vicki McAndrews	410.347.5544	410.347.3132
College of Notre Dame	Suzanne Boyer	410.532.5866	410.532.5785
Community Conferencing Center	Nicole Glass-Brice	410.889.7400	410.889.0944
Congruent Media, LLC	Jeffrey Rudolph	410.534.6800	410.534.6801
Coppin Heights CDC	Gary Rodwell	410.951.3624	410.951.3623
D-S Pipe and Supply Company, Inc.	Tony Faggio	410.539.8000	410.593.4819
DAP Products, Inc.	Rita Mayor	410.675.2100	410.558.1084
David Ashton and Associates	Ronnie Younts	410.727.1151	410.727.1954
Design Collective, Inc.	Linda Fidazzo	410.246.2505	410.539.6242
Digital Cave Media	Nicholas Kovacic	410.988.2682	866.366.2821
E.magination Network,Inc.	Trisha Bogy	410.234.1500	410.234.1485
Gallagher Evelius and Jones	Diane L. Dongarra	410.727.7702	410.468.2786
Greater Baltimore Technical Council	Kathleen Weiss	410.327.9148	410.563.0144
Grieves,Worrall,Wright & O’Hatnick, Inc.	Spero Demetrides	410.332.1009	410.332.0038
The Harbor Bank of Maryland	Joseph Haskins	410.582.1882	410.951.1858
Helen’s Garden	Ed / Stacey Scherer	410.276.2233	410.675.8132
Homeless Persons Reprsnt Project, Inc.	Diane Pasternack	410.685.6589	410.625.0361
Hord,Coplan,Macht, Inc.	Jan Nelson	410.837.7311	410.837.6530
JHH Bayview Medical Center	Sandy Jenkins	443.997.4770	—
JHH Health Systems	Sandy Jenkins	443.997.4770	—
JHH University	Sandy Jenkins	443.997.4770	—
Kann and Associates	Patricia Garrity	410.234.0900	410.539.4921
Kennedy Krieger Institute	Lynne Schroeder	443.923.5809	443.923.5805
Kittelson and Associates	Peter Jenior	443.524.9432	410.347.9611
Living Classrooms Foundation	Kimberly Smith	410.685.0295	410.675.0194
Loyola College in Maryland	Maurisha Hooper	410.617.2355	410.617.5072
MaGerk’s Pub	Paul Dolaway	410.576.9230	410.524.1993
Mahan Rykiel Associates	Cathy Snellinger	410.235.6001	410.235.6002
Marriott	Vivian Taylor	410.209.2804	410.209.2857
Maryland Institute College of Art	Hildi Li	410.225.2520	410.225.2557
MECU	Bert J. Hash	—	443.927.3804
Mercy Medical Center	Mary Webb	410.649.3487	410.962.1303
Middleton and Meads Company, Inc.	Rose McCauley	410.752.5588	410.852.3922
Mission Media, LLC	Todd Harvey	410.752.8950	410.752.8951
MuniMae Midland, LLC	Michelle Seager	443.263.2900	410.727.5387

Baltimore City Live Near Your Work Program (continued)

Employer	Contact	Phone	Fax
Neighborhood Design Center	Lucy Hill	410.233.9686	410.233.9687
Netneighborhoods.com	Chris Heine	800.346.5540	410.732.0605
Otis Warren Mgmt. Company, Inc.	Dawn Taylor	410.539.1074	410.539.1070
People's Homesteading Group, Inc.	Mary Harvey	410.889.0071	410.889.0652
Plano-Coudon, Inc.	Brett Plano	410.837.2570	410.837.2517
Prometric	Blandy Becker	443.923.6049	443.923.8068
PW Feats, Inc.	Peggy Aparacio	410.727.5575	410.332.0473
RK and K, LLP	Dick Moore	410.728.2900	410.669.1231
Round 2 Communications	Kevin Majoros	410.327.0007	410.327.8330
Saint Agnes Healthcare	Nessa Klein	410.368.2161	410.368.3536
Salar, Incorporated	Greg Milsom	410.327.8750	410.327.8751
Shelter Group	Christal Davis	410.230.6466	410.625.2652
Sinai Hospital	Janice Lynn	410.601.4459	410.601.9055
Smarterville, Incorporated	Tara Romine	410.843.6915	888.286.2404
Southeast Community Dev. Corp.	Lisa Clayton	410.342.3234	410.342.1719
Sylvan Learning Systems, Inc.	Rebekah Miller	410.843.8883	410.843.8065
Syscom, Incorporated	Verna Willes	410.539.3737	410.837.9535
The Canton Group, Inc.	Ethan Kazi	410.675.5708	410.675.5111
The Wine Source	David Wells	410.467.7777	410.889.8187
Tithe Corporation, Skil-aire	Lisa Ambrose	410.625.7545	410.625.6421
Under Armour, Inc.	Kenya Ray	410.454.6554	410.246.5920
Union Memorial Hospital	Kathleen Diamond	410.554.2672	410.554.2772
University of Maryland Medical System	Jo-Ann Williams	410.328.5231	410.328.8664
US Lacrosse, Inc.	Cara Morris	410.235.6882	410.366.6735
Venable, Baetjer and Howard, LLP	Linda Carr	410.244.7765	410.244.7884
Vitamin, Incorporated	Amanda M. Karfakis	410.732.6542	410.732.6541
Ziger/Snead LLP Architects	Nicole Lamont	410.576.9131	410.576.9159

**This list is subject to change at any time. Please visit the Baltimore Housing Web site at www.baltimorehousing.org for the most recent updates.*



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Additional Homeownership Incentives

Vacants to Value Homebuyer Program

The Vacants to Value Program is a new City initiative to encourage the purchase of City owned vacant properties, City government must do everything it can to spur growth and reinvestment by:

- streamlining the sale of vacant city property.
- strengthening the code enforcement efforts in transitional blocks and emerging markets to promote rehabilitation.
- providing new targeted incentives for homebuyers and developers who invest in vacant homes.

The following are current adjustments to the City's Incentive Programs to meet the demands of the Vacants to Value Program. The Homeownership's Policy and Procedure applies to all programs.

Buying Into Baltimore

\$200,000 has been dedicated for this Vacants to Values initiative. A borrower utilizing the Buying Into Baltimore Incentive Program to purchase a City owned property will receive a \$5,000 deferred loan. The property must be owner occupied.

Community Development Block Grant

\$300,000 of Block Grant funds has been dedicated for this Vacants to Value initiative. This amount can fund up to 60 deferred loans at \$5,000 for those who qualify according to HUD's Community Development Block Grant Program regulations. The Buyer can **only** use these funds to purchase a rehabbed vacant home from a Developer.

Live Near Your Work Program

\$200,000 has been dedicated for this Vacants to Value initiative. Utilizing this Employer Matching Program, the City will match the employer's contribution up to \$3,000, netting the employee a \$6,000 incentive. The employee must purchase a City owned vacant property within the employer's program boundaries. The employee must further occupy this property as their primary residence.

New Programs

Vacants to Value Booster Program

The program will offer \$10,000 in down payment and closing cost assistance to the first 50 buyers of qualified Vacants to Value properties. This program is offered in addition to other Vacants to Value homeownership incentives, traditional homeownership incentive programs, and property tax credits.

Good Neighbors Program

\$500,000 has been allocated to this program for *all* City employees to purchase one of the City's vacant properties. This is a \$5,000 deferred loan that dissolves at a rate of 20% per year for 5 years. The allocated amount is enough to assist 100 applicants.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Additional Homeownership Incentives

State Mortgage Programs and Homeownership Assistance

Contact: 1-800-756-0119 or visit www.mmprogram.org

State Programs

Homeownership for Individuals with Disabilities Program

To be eligible, at least one borrower must have a disability or is the parent of a child with a disability; the family income is not more than \$85,500; and the sale price is not more than \$300,000. The mortgage program offers a 3% to 5% interest rate loan for income eligible buyers. City settlement funds are part of the program. The minimum cash requirement is approximately \$900. For more program details, please visit the State's Web site at www.dhcd.state.md.us. For Baltimore City, contact Robert Bartolini at 410-396-4159.

Tenant Conversion Mortgage Program

Tenants buying the home they are currently renting may be eligible for the Tenant Conversion Program. Some City funds may be available for help with settlement costs. The minimum cash requirement is \$1,000. If interested, please contact Robert Bartolini at 410-396-4159.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Federal Mortgage Programs CDBG's Homeownership Assistance Program

Contact: Marva Alette 410-396-3124

What is it?

When available, the Homeownership Assistance Program, can give qualified first time homebuyers \$5,000 toward downpayment and settlement expenses.

Who is eligible?

First-time homebuyers with a counseling certificate from a City Approved Counseling Agency. Upon receiving a counseling certificate, the borrower can then find a property and sign a contract to purchase. Once executing a contract, the borrower must bring that contract back to the counseling agency to have the CDBG program application completed. The property must be inspected utilizing an HQS inspection conducted by a certified lead abatement inspector. Please be absolutely certain that there is no peeling, flaking, chipping paint inside or outside the purchased property.

If there is chipped, peeling, flaking or otherwise deteriorating paint, it must be tested for lead based paint, and if necessary, abated prior to closing. Borrower must ensure that an Inspector certified to conduct Lead Paint Abatement inspection has completed the lead abatement inspection and a copy of the certificate must be provided to the Office of Homeownership prior to closing. Buyers should receive the “**Seller Lead Based Paint Disclosure and EPA Pamphlet**” from the housing counseling agency when evaluating the merits of a house.

Additionally, if you qualify for other mortgage incentive programs, you can “**stack**” these incentives to pay all of your closing cost expenses and may have enough residual to reduce your mortgage principal. We have witnessed homebuyers “**stacking**” more than \$20,000 in incentive funds.

What are the benefits?

\$5,000 down payment and closing assistance structured as a 5-year loan forgivable 20 percent per year.

What are the restrictions/loan terms?

The funding source for the Homeownership Assistance Program have 80% median income limitations. You must be within the income limitations to qualify for this program. A minimum of \$1,000 down must come directly from the purchaser. All homes must be purchased in Baltimore City. Income limitations are as follows:

- 1 person \$45,500
- 2 person \$52,000
- 3 person \$58,500
- 4 person \$65,000
- 5 person \$70,200
- 6 person \$75,400
- 7 person \$80,600
- 8 person \$85,800



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Housing Choice Voucher Homeownership Program

What is it?

This program helps current Housing Choice Voucher Program participants purchase homes by converting their monthly rental assistance payments to mortgage payments.

What are the benefits?

The amount of subsidy depends on family size, income, purchase price, and other factors, and reflects each individual household's level of affordability.

What are the restrictions/loan terms?

A minimum of 1 percent of the purchase price must come directly from the purchaser. All homes must be purchased in Baltimore. Participants must meet regular program eligibility requirements in addition to the new regulations governing the Homeownership program. For more information, call Tonya Small at 410-396-4175.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Baltimore City Tax Incentives

Newly Constructed Dwelling Tax Credit

Administered by the Baltimore City Department of Finance

Contact: Ms. Paula Buchanan, 443-984-3497

- Owner occupied new construction.
- 50 percent credit in first year to 10 percent in fifth year.
- Applies to building permits issued after October 1, 1994.
- Owner must apply for credit within 90 days of closing and title transfer.

Rehabilitated Vacant Dwelling Tax Credit

Administered by the Baltimore City Department of Finance

Contact: Ms. Paula Buchanan, 443-984-3497

- 5 year reduction in assessment increase due to rehab.
- 100 percent credit in first year to 20 percent in the fifth year.
- Encourages rehab of vacant property.
- Up to four (4) dwelling unit property.
- Vacant and abandoned for one year.

Home Improvement Tax Credit

Administered by the Baltimore City Department of Finance

Contact: Ms. Paula Buchanan, 443-984-3497

- 5 year reduction in increases due to improvements completed.
- 100 percent credit in first year to 20 percent in the fifth year.
- Improvement incentive.

Historic Landmarks and District Tax Credit

Administered by Maryland Historical Trust

For more information and application, contact 410-514-7628 or visit
www.marylandhistoricaltrust.net

- Properties listed on City landmark and national register of Historic Places.
- Maintains tax assessment at level before renovation.
- 10 year period, 100 percent tax credit on increased value due to eligible improvements.
- 33 districts in Baltimore City.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Resources

Homeownership Counseling Agencies

Baltimore Urban League
512 Orchard Street, 21201
410-523-8150 / Fax 410-523-4022

Belair-Edison Housing Services
3412 Belair Road, 21213
410-485-8422 / Fax 410-485-0728

Centro De La Comunidad
3021 Eastern Avenue, 21224
410-675-8906 / Fax 410-675-3146

Comprehensive Housing Asst. Inc.
5721 Park Heights Avenue, 21215
410-466-1990 x211 /
Fax 410-466-1996

**Development Corporation
of NW Baltimore**
3521 W. Belvedere Avenue, 21215
410-578-7190 / Fax 410-578-7193

Druid Heights CDC
2140 McCulloh Street, 21217
410-523-1350 / Fax 410-523-1374

**Garwyn Oaks Housing
Resource Center**
2300 Garrison Blvd., Ste. 211, 21216
410-947-0084 / Fax 410-542-9055

Harbel Housing Partnership
5807 Harford Road, 21214
410-444-9152 / Fax 410-444-9181

NHS of Baltimore
819 Park Ave., 21201
410-327-1200
www.nhsbaltimore.org

**Oliver Economic
Development Corporation**
1400 E. Federal Street, 21217
410-685-0330 / Fax 410-685-0711

Park Heights Renaissance, Inc.
3939 Reisterstown Rd., 21215
410-664-4890 / Fax 410-664-4893
www.parkheightsmd.org
stubman@parkheightsrenaissance.org

Reservoir Hill Improvement Council
2001 Park Avenue, 21217
410-225-7547 / Fax 410-225-7455

Southeast CDC
3700 Eastern Avenue, 21224
410-342-3234 / Fax 410-342-1719

St. Ambrose Housing Aid Center
321 E. 25th Street
410-235-5770 / 410-366-8795

**This list is subject to change at any time. Please visit the Baltimore Housing Web site at www.baltimorehousing.org for the most recent updates.*



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street
Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Resources on the Web

www.baltimorehousing.org

The Web site of Baltimore Housing contains information about Homeownership programs, rehabilitation services, buying City houses, and a wealth of other information.

www.livebaltimore.com

The Live Baltimore Home Center's award-winning site offers information about buying in Baltimore, preferred real estate agents, homeownership incentives, neighborhood profiles, and city living events.

www.healthyneighborhoods.org

The Healthy Neighborhoods Initiative (HNI) is an effort of area foundations and the City of Baltimore to invest strategically in certain neighborhoods and target blocks within those neighborhoods. On HNI target blocks, special purchase-rehab mortgages and home improvement loans are available. In addition, city employees are eligible for an extra \$750 as part of the Baltimore City Employee Homeownership Program, bringing their total incentive from that program to \$3,750.

www.bcdfc.com

Baltimore Community Lending (formerly the Baltimore Community Development Financing Corporation) provides a variety of programs including the Vacant House Loan Program, the Single Family Construction Loan Program, and the Baltimore Homeowner Emergency Loan Program (HELP). The Vacant House Loan Program offers homebuyers, interested in purchasing a house to occupy as their primary residence in Baltimore City, financing for the acquisition, rehabilitation and closing cost that is incorporated into one loan. The Single Family Construction Loan Program offers existing Baltimore City owner-occupied homeowners the opportunity to refinance and rehabilitate their houses. The HELP Program helps households faced with foreclosure.

www.mmprogram.org

Go to the above State Department of Housing & Community Development website to receive the latest information on their first mortgage programs and mortgage incentive loans.

www.hud.gov

HUD's general Web site can lead you to many sources of information about home buying, including information about the Officer/Teacher Next Door Program and how to buy a HUD-owned vacant house.

www.fanniemae.com

Fannie Mae's Web site, in addition to a wide variety of information, maintains the updated lists of Fannie Mae approved lenders in Maryland. Consult this list for Homeownership incentives that require approved lenders.

www.freddiemac.com

Freddie Mac's Web site, in addition to a wide variety of information, maintains the updated lists of Freddie Mac approved lenders in Maryland. Consult this list for Homeownership incentives that require approved lenders.

www.fhlbatl.com

Many banks in the Baltimore area are members of the Federal Home Loan Bank of Atlanta and participate in the First-time Home buyers Program. Participating banks receive funds at the beginning of each year that can be used for closing cost assistance grants for low and moderate-income families.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street
Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

How to Maximize Your Homebuying Experience

Enroll in and Complete a Housing Counseling Workshop

This valuable first step will help provide a strong primer for the homebuying process from start to finish. Baltimore Housing maintains a list of City-approved counseling agencies (see page 8).

Research Mortgage Options

There are many free options for researching mortgage products. Many banks have brochures and pamphlets that explain the types of mortgage products. In addition, the Internet, certified housing counseling agencies, and public libraries are great sources for information. Among the information you want to understand is: types of mortgage product options, rates and terms of these products.

Begin Loan Application Process

Most lenders will require potential mortgage borrowers to complete a loan application in order to determine information vital to ensuring loan qualification. Although many homebuyers first identify the desired home before completing the application, a best practice is getting pre-approved prior to identifying the home to determine how much one can afford. The pre-approval process requires some time commitment and as much information as the full loan application process. Pre-approval is a commitment to provide mortgage financing and all Baltimore Housing loan products require loan application information. The recommended steps for working with a lender are:

- Gather all required documents including tax forms, pay stubs, bank statements, proof of other funding sources (e.g., brokerage reports or mutual fund balances). Most lenders will provide a specific checklist.
- Prepare any questions regarding financing you have. This will help ensure that you accomplish your objective to be educated about the process and loan products.

Identify a Real Estate Agent

Any homebuyer has the option of speaking with more than one real estate agent in advance of executing any documents.

Identify a Home

Prepare a list of desires and needs for your home. Be certain to delineate between those items that are necessities and bonuses. Give thought to the other factors, including community amenities such as schools, parks, retail establishments, and proximity to preferred transportation routes.

Identify Other Professionals to Help You

Engaging a real estate attorney can be helpful (but may be an additional cost) in giving the homebuyer another set of trained resources. Free and/or reduced rate legal services in connection with a home purchase are available through the Civil Justice Network and St. Ambrose Legal Services. Research home warranties (if applicable). Engaging the services of a good home inspector can also be helpful.

Finalize the Loan Process

Contact your chosen lender to begin the process of finalizing your loan process. Collect and provide updated documents to the lender as soon as possible. This will ensure that the lender has the most up-to-date financial information and will make for a more smooth loan approval and closing process. Please keep in mind that time is of the essence as interest rates or other factors may change and impact your loan. Get a sense of the timing for a financing decision. Most lenders will be able to give a clear indication of the decision turnaround time as well as provide details about your application or types of loan products. Your lender will be able to provide you with a good faith estimate, itemizing the various fees and costs and the amounts due at closing.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street
Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Office of Homeownership Policies and Procedures

Down Payment Requirements

In order to secure funding from any of our Homeownership programs, the borrower must contribute a minimum of \$1,000 towards the purchase of a home in Baltimore City.

One-on-One Homeownership Counseling Requirement

In order to secure funding from any of our Homeownership programs, the borrower must receive One-on-One Homeownership Counseling from a City-approved counseling agency (see page 11). The borrower must also secure a Homeownership Counseling Certificate prior to executing a sales contract.

Home Inspection Requirement

In order to secure funding from any of our Homeownership programs, the borrower must provide a satisfactory home inspection from a licensed home inspection company. The home inspection company must be a member of either or both the National Association of Home Inspectors and/or the American Society of Home Inspectors.

In addition, homes built before 1978 must have a lead based paint assessment completed prior to closing. If there is chipped, peeling, flaking or otherwise deteriorating paint, it must be tested for lead based paint, and if necessary, abated prior to closing. Borrower must ensure that an Inspector certified to conduct Lead Paint Abatement inspection has completed the lead abatement inspection and a copy of the certificate must be provided to the Office of Homeownership prior to closing. Buyers should receive the SELLER LEAD BASED PAINT DISCLOSURE AND EPA PAMPHLET from the housing counseling agency when evaluating the merits of a house.

Qualified Lenders

Co-signers, cash sales and owner financing are prohibited. We strongly urge that you secure a mortgage loan from a Fannie Mae or Freddie Mac approved lending institution. If you should choose to use a mortgage broker, your mortgage broker must adhere to our written policy. Lenders must provide a good faith estimate to the borrower that includes: 1) any points, fees, or other charges; 2) any mortgage insurance fees; and 3) any monthly escrow amounts required for property taxes and homeowner's insurance. More specifically, lenders must not charge in excess of three (3) points—one (1) point for the origination fee and two (2) points for the mortgage interest rate discount. Lenders must charge only the actual fee incurred by the lender for obtaining the credit report and appraisal and any other documents and services required as part of the mortgage transaction. Lenders must adhere to the disclosure requirements of the Fair Credit Reporting Act as most recently amended.

Ineligible First Mortgage Finance Products

In order to secure funding from any of our Homeownership programs, the **borrower may not utilize** any of the following first mortgage products: 1) no documentation loan; 2) interest only loan; 3) conventional 80/20 loan; 4) adjustable rate loan. Any loans for which prepayment penalties or fees are applicable, or will be assessed, are not eligible for use with Baltimore Housing homeownership programs.

Refinancing and Release Policy

In order to secure funding from any of our Homeownership programs, the borrower must execute a Baltimore Housing Refinancing and Release Policy (see page 15).

Please Note: These policies may change subject to the discretion of the City's Office of Homeownership. Additional restrictions may be required for individual homeownership incentive programs. Refinancing within 5 years may require repayment of forgivable loans provided through Baltimore City homeownership programs.

Baltimore Housing Refinancing & Release Policy

Some homeowners with UDAG, NAC, CDBG, and City 2nd Mortgage Loans for Buying Into Baltimore trolley tours and City employee grants or Direct Homeownership Assistance grants and including rehabilitation loans may have relatively high interest rates on their first mortgages. The Financial Review Committee has received a number of recent requests to allow the homeowners to refinance the existing first mortgages for a lower interest rate, shorter term and/or lower monthly payment. Because of the variations in the homeowner requests, it has been determined that a policy governing such refinancing should be developed by the Committee with concurrence by the Deputy Commissioner and approval by the City Board of Estimates. (Approved March 1, 2004)

The following are the guidelines established by the Committee, which must be met for approval:

1. The purpose of the request must be to obtain a lower interest rate and/or term in order to reduce principal and interest payments on the first mortgage.
2. The City lien must be current. Any account 60 days in arrears will not be considered for subordination. Modified/recast loans will be considered for subordination six (6) months after the loan modification is signed.
3. The homeowner shall not receive any proceeds from the refinancing.
4. The homeowner may include within the amount of the first mortgage refinanced the legal and related costs incurred in conjunction with the refinancing. However, if total settlement charges, points and fees exceed 10 percent of the balance of the existing first mortgage loan, the homeowner must pay off the City loan. On a case-by-case basis, the Committee may consider extenuating circumstances and will make a recommendation to the Deputy Commissioner for approval.
5. If the principal balance of the existing first mortgage is more than initially borrowed at settlement (i.e., there has been negative amortization), the original principal balance will be used in calculating the net proceeds of sale.
6. The property value should be equal to or more than the sum of all existing and proposed liens against the property (established by an independent appraisal).
7. The homeowner may be required to pay a \$100 legal fee to the title attorney to cover the cost of preparing the Subordination Agreement as well as the cost of recording that document.
8. If additional debts are included in the proposed (refinanced) first mortgage, a minimum of 10 percent of those debts is required as a non-refundable partial prepayment of the city loan.
9. Any request for payoff that is not accompanied by a contract of sale will be considered a refinance. In this case, the homeowner must personally request the payoff/release with explanation and review the documents submitted in his behalf by the lender or title company to the Financial Review Committee.
10. A City-processing fee of \$75 shall be charged to the homeowner for each request for the execution of subordination agreements, releases of note/mortgage, or deed of trust or promissory. With respect to the releases, the Legal Department will determine the appropriate amount for releases, but the amount will not be in excess of \$75. Either the City for the Office of Rehabilitation notes or the title company will prepare the actual agreements and releases for processing and execution. Said processing fee in the form of a money order or certified check shall be made payable to:

The Director of Finance c/o:

**Department of Housing and Community Development,
Office of Rehabilitation, Suite 1125,
417 E. Fayette Street, Baltimore, MD 21202**

Acknowledgement by homeowner

15

Date

www.baltimorehousing.org

revised 4/2012



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms

Acceleration clause - A provision in a mortgage that gives the lender the right to demand payment of the entire outstanding balance if a monthly payment is missed.

Adjustable living expenses - Expenses you can change, such as costs of groceries, utilities, telephone.

Adjustable rate mortgage loan (ARM) - Mortgage loans with interest rates that go up and down. The rate is usually based on indexes tied to the nation's economy.

Amortization - The process of paying off a loan by a schedule of payments over a fixed time period.

Amortization schedule - A timetable for payment of a mortgage showing the amount of each payment applied to interest and principal and the remaining balance.

Annual percentage rate (APR) - The cost of a borrower's credit as a yearly rate. Defined by the federal Truth in Lending Act, it includes finance charges as well as the contractual interest rate.

Appraisal - An estimate of a property's fair market value by a licensed professional. Lenders take the appraisal into account when deciding whether or not to make loans.

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

Assessed value - The valuation placed upon property by a public tax assessor for purposes of taxation.

Asset - Something of value that you own. An asset could be a car, a retirement fund, stocks or bonds, or even a valuable piece of furniture.

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

Assumption - The transfer of the seller's existing mortgage to the buyer.

Bankruptcy - When a person is declared by a court to be unable to pay her or his debts, that person is in bankruptcy. That person must then turn over any money or properties to a trustee, a person whom the court appoints, for management.

Billing cycle - The date a bill is sent out and the payment due. Some bills are sent out on the first of the month, some on the fifteenth, some on other dates.

Binder - A preliminary agreement, secured by the payment of earnest money, under which a buyer offers to purchase real estate.

Building permit - A written permit that must be purchased from the local government by anyone doing remodeling or rehabbing work on a property.

Buyer's agent - A real estate agent who works for the buyer of a house, not the seller.

Cap - A provision of an ARM limiting how much the interest rate or mortgage payments may increase.

Capital gains tax - A tax owed for selling something at a price that is more than the price the owner bought it for.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms (continued)

Capital loss - What a homeowner has if he sells his home for less money than he paid for it.

Cash reserve - A requirement of some lenders that buyers have sufficient cash remaining after closing to make the first two mortgage payments.

Clear title - A title that is free of liens and legal questions as to ownership of the property.

Closing - The meeting during which all the papers are signed (the loan is "closed") and the house keys are turned over to the new homebuyer. Also called "settlement".

Closing costs - Money paid by borrowers and sellers to close a mortgage loan. This normally includes origination fees, points, title insurance, survey and attorneys' fees, and prepaid items such as insurance and taxes. Also called "settlement costs".

Collateral or security - Property that backs up a loan. If the borrower does not pay back the loan as agreed, the lender can take the collateral. A house is collateral for a mortgage loan. A house gives security to a mortgage loan.

Collection agencies - Private businesses, hired by creditors, that try to get borrowers to make payments that are overdue.

Commission - The fee a real estate agent is paid for helping to sell a house. Usually it is based on the purchase price of the home.

Commitment letter - A formal offer by a lender stating the terms under which it agrees to loan money to a homebuyer.

Community Development Block Grant Program (CDBG) - Provides eligible metropolitan cities, urban counties (called "entitlement communities"), and state governments for rural areas with annual direct grants that they can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income persons.

Community Home Buyer's Program - An alternative financing option that allows households of modest means to qualify for mortgages using nontraditional credit histories, 33 percent housing-to-income and 38 percent debt-to-income ratios, and the waiver of the usual two payment cash reserve at closing.

Community home improvement mortgage loan - An alternative financing option that allows low- and moderate-income homebuyers to obtain 95 percent financing for the purchase and improvement of a home in need of modest repairs.

Community land trust mortgage loan - An alternative financing option that enables low- and moderate-income homebuyers to purchase housing that has been improved by a nonprofit Community Land Trust, and to lease the land on which the property stands.

Condominium - A form of property ownership in which the homeowner holds title to an individual dwelling unit plus an interest in common areas of a multi-unit project.

Consumer credit counseling services - Nonprofit local agencies that provide credit counseling services to people for free or a small fee.

Consumer credit counselor - A counselor who helps people develop and stick to a plan for getting out of debt.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms (continued)

Contingency - An item in a real estate sales contract stating that the contract is good only in certain cases—for instance, only if the buyer obtains financing at a certain rate or only if the seller replaces the shingles on the roof. The contingencies must be written in the contract.

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

Conversion provision - A feature of an adjustable-rate mortgage loan that allows the borrower to change to a fixed-rate loan, with an interest rate and monthly payment that stay the same.

Convertible ARM - An adjustable-rate mortgage that can be converted to a fixed-rate mortgage under specified conditions.

Cooperative - A form of common property ownership in which the residents of an apartment building do not own their own units, but rather own shares in the corporation that owns the property.

Co-signer - A person who signs loan documents, such as a mortgage note with another person. The co-signer is responsible for making payments, if the borrower does not.

Counter-offer - If a seller does not like a buyer's offer, the seller can reject the offer and can make a new offer.

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

Credit bureau - Also called "credit reporting agency". A company that keeps track of people's debts and how they repay them. The three main credit bureaus are TRW, Equifax, and Trans Union.

Credit history - The record of a person's payment of debt, over years' time. That record is kept by three national credit bureaus that send it to businesses, lenders, and creditors, as well as to credit-holders upon request.

Credit rating - A credit bureau's ranking of the way a person has repaid her debts. A lender uses a loan applicant's credit rating to decide whether or not to make the loan.

Credit report - A report of an individual's credit history prepared by a credit bureau and used by a lender in determining an applicant's creditworthiness.

Credit union - A cooperative financial institution that is owned and controlled by its members. It offers savings, checking accounts and other financial services.

Creditor - Any person or company that lends money (extends credit).

Creditworthy - A person with good credit, whom a lender judges will repay a loan, is creditworthy.

Daily interest - The amount of interest the borrower pays the lender calculated on a daily basis. It equals the annual interest rate divided by 360 or 365 and multiplied by the amount of the loan. Also called "per diem interest".

Debt management plan - A bill payment plan for a borrower in a credit emergency. The plan is agreed to by the borrower and creditors.

Debt-to-income ratio - Percentages lenders use to decide whether a loan applicant can afford to make payments on a certain mortgage loan. Lenders may allow first-time homebuyers to use 33% of monthly income for housing costs, and a total of 38% for housing costs and all other debt.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms (continued)

Deduct - To subtract an amount from income that is being taxed. Homeowners can deduct interest they pay on their mortgage loans, points they pay at settlement, home improvements, and related items.

Deed - The legal document conveying title to a property.

Deed of trust - A document used in some localities in place of a mortgage agreement. The deed of trust places the title to the subject property into trust for the lender during the term of the loan.

Default - The failure of a borrower to make payments on a loan or in some other way fail to fulfill the terms of a note, mortgage, or loan agreement.

Delinquency - A loan in which a payment is overdue but not yet in default.

Deposit - Cash paid to the seller when a formal sales contract is signed.

Depreciation - A decline in the value of property; the opposite of "appreciation."

Direct deposit - A method of payment where money is electronically deposited into a bank account by the paying organization, such as an employer.

Discount points - See Points.

Discretionary spending - Spending on optional or nonessential goods or services, as opposed to essential items (e.g., food, clothing and shelter).

Down payment - Money the borrower has to pay "up front," (usually 5% to 20% of the amount of a loan.)

Due-on-sale clause - A provision in a mortgage allowing the lender to demand repayment in full if the borrower sells the property securing the mortgage.

Earnest money - Money a person puts down to show that he/she is serious about buying a certain house. Also called "good-faith deposit."

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

Equal Credit Opportunity Act - A federal law that says creditors cannot discriminate against borrowers because of race, color, religion, national origin, sex, marital status, age, and receipt of public assistance.

Equity - Equity is the difference between the house's market value and the amount the homeowner owes on the mortgage loan.

Equity loan - A loan based on the borrower's equity in his or her home. The equity is used as collateral.

Escrow - Funds held in a separate bank account for a specific purpose. Lenders often hold a borrower's money in escrow and then pay the borrower's property taxes and insurance when they come due.

Estate sale - A sale held to sell the property of someone who has died. Sometimes houses are sold at estate sales.

Fair Credit Billing Act - A federal law that gives a borrower the right to question credit card bills from companies other than banks. The law lays out a process for a borrower to follow if a credit card bill is wrong, or appears to be wrong.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms (continued)

Fair Credit Reporting Act - A federal law that protects a borrower's right to know what is in her or his credit report and the right to correct errors. The law lays out a process for disputing a credit report.

Fair Debt Collection Practices Act - A federal law that protects consumers from abuse or threats from collection agencies trying to get overdue payments.

Fair Housing Act - A federal law that states what housing and real estate practices are discriminatory. The law also states in what ways those practices are to be avoided.

Fair market value - The amount an appraiser decides a house is worth. The appraiser compares the house with similar houses that have sold recently in the same area. The physical condition of the house also affects its fair market value.

Federal Deposit Insurance Corporation (FDIC) - The FDIC insures deposits in the nation's more than 10,000 banks and savings associations. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed.

Federal Home Loan Bank System (FHLB) - Through its 12 District Banks, the FHLB makes advances to its 6,884 member financial institutions, which in turn lend the funds for home mortgages and community development. Also see AHP.

Federal Housing Finance Board (FHFB) - The FHFB regulates the Federal Home Loan Bank System.

Federal Reserve System - The System's duties fall into four general areas: conducting the nation's monetary policy; supervising and regulating banking institutions; maintaining the stability of the financial system; and providing certain financial services to the U.S. government, the public, financial institutions, and foreign official institutions.

Fee simple - In this type of homeownership, the house and the land it sits on are owned by one person (or family).

FHA loan - A mortgage that is insured by the Federal Housing Administration.

Finance - To supply money for a purchase. A lender can finance homeownership with a mortgage loan.

Financing - Money that a financial company lends to a buyer for making a purchase, such as home financing.

First mortgage - The mortgage that has first claim in the event of default.

Fixed expenses or fixed payments - Expenses or payments that usually stay the same from month to month, such as rent, a car loan, a student loan, insurance, or child support.

Fixed-rate mortgage - A mortgage in which the interest rate does not change during the entire term of the loan.

Flood insurance - Insurance required for properties in federally designated flood areas.

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

Foreclose - The process of the lender taking a property when the borrower has defaulted on the loan. The lender then sells the property to recoup its loss on the unpaid loan.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms (continued)

Good faith estimate - A lender is required to give an estimate of a borrower's closing costs to the borrower within three business days of the loan application.

Graduated payment - A mortgage loan with monthly payments that start at a lower amount and then increase slowly over the next several years. The monthly payments then stay the same at the higher amount.

Gross income - The total amount of money that a person receives, before taxes and other deductions. This income may include funds from a job or jobs; interest or dividends; alimony; disability payments; or public assistance.

Hazard insurance - Insurance that compensates for a loss on a specific property due to damages caused by fire, vandalism, theft, storm damage and certain other natural disasters.

HOME - Funds from the Department of Housing and Urban Development to local governments and states for new construction, rehabilitation, acquisition of standard housing, assistance to homebuyers, and tenant-based rental assistance.

Home inspector - A licensed professional who looks at all parts of a house and evaluates its condition.

Homeowner's insurance - An insurance policy that combines liability coverage and hazard insurance.

Homeowner's warranty - A type of insurance that covers repairs to specified parts of a house for a specific period of time.

Housing expense ratio - The percentage of a person's gross monthly income that it takes to pay a mortgage loan payment plus interest, property taxes, and insurance. Lenders use this ratio to decide whether or not to make mortgage loans.

Improvement - Anything done to a house that increases its value, such as adding a sun porch or modernizing a kitchen.

Inspection - When a house is remodeled or rehabbed, it must be inspected by an inspector from the local government to be sure all work is done properly.

Installment debt - Debts or accounts that are paid off in monthly payments, or installments, such as credit card accounts.

Interest - A charge that a borrower pays to a lender to borrow money. Usually it is a percentage of the amount of the loan.

Interest rate cap - A provision of an ARM limiting how much interest rates may increase per adjustment period. See also Lifetime cap.

Investment - An item, such as a house, on which money is spent in the hope of getting money or other benefits back in return.

Joint tenancy - A form of co-ownership giving each tenant equal interest and equal rights in the property, including the right of survivorship.

Judgment - A decision given by a judge or court that says a person has to pay another person a certain amount of money.

Late charge - The penalty a borrower must pay when a payment is made after the due date.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms (continued)

Lease-purchase mortgage loan - An alternative financing option that allows low- and moderate-income home buyers to lease a home from a nonprofit organization with an option to buy, and with each month's rent payments consisting of PITI payments on the first mortgage, plus an extra amount that is earmarked for a savings account in which money for a down payment accumulates.

Liability insurance - Insurance a contractor buys to protect herself and the person who hires her in case someone is hurt or damage is caused during the work she performs on a house.

Lien - A legal claim on a property that must be paid before a property can be sold.

Lifetime cap - A provision of an ARM that limits the total increase in interest rates over the life of the loan.

Listing agent - A real estate agent who lists a house for sale. The listing agent represents the seller of the house.

Listings - A computerized pool of information, shared by real estate agents that list houses for sale. Also called Multiple Listing Service or MLS.

Loan commitment - See Commitment letter.

Loan servicing - The collection of mortgage payments from borrowers and related responsibilities of a loan servicer.

Loan to value ratio (LTV) - The loan balance on a house compared to the appraised value of a house. In making a mortgage loan, a lender uses the LTV to show that a house is worth more than the loan amount. This is important because, if the homeowner does not make payments on the mortgage loan, the bank gets the house in return, as payment.

Lock-in - A written agreement guaranteeing the homebuyer a specified interest rate provided the loan is closed within a set period of time. The lock-in also usually specifies the number of points to be paid at closing.

Margin - The set percentage the lender adds to the index rate to determine the interest rate of an ARM.

Maturity - The date when an agreement or obligation runs out.

Monthly housing costs - The total of a homeowner's mortgage loan payment and expenses for utilities, general home repair, and upkeep.

Mortgage agreement - A document signed by a borrower and a lender giving the lender the right to take the borrower's house if the borrower does not repay the loan.

Mortgage banker - A company that originates mortgages exclusively for resale in the secondary market.

Mortgage broker - A company that for a fee matches borrowers with lenders.

Mortgage insurance premium (MIP) - The fee paid by a borrower to FHA or a private insurer for mortgage insurance.

Mortgage insurance - See Private mortgage insurance.

Mortgage note - A legal document obligating a borrower to repay a loan at a stated interest rate during a specified period of time; the agreement is secured by a mortgage.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms (continued)

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

Mortgagee - The lender in a mortgage agreement.

Mortgagor - The borrower in a mortgage agreement.

Negative amortization - Payment terms under which the borrower's monthly payments do not cover the interest due, resulting in loan balance increases.

No Documentation Loan - A loan for which no loan documentation, including tax information, proof income, or credit reports is required.

Nontraditional credit history - A record of credit performance shown with receipts, bills and check stubs from payments to landlords, utility companies, child-care providers, and others. A method for loan applicants who do not have a credit history from, for example, car-loan or credit card payments.

Note - A document on which a borrower promises to repay a loan. Also called "promissory note."

Notice of default - A formal written notice to a borrower that a default has occurred and that legal action may be taken.

Offer - A purchase proposal to the seller of a house, telling the amount a certain buyer would pay for the house and other conditions that would have to be met before the proposed house sale.

Office of the Comptroller of the Currency - Charters, regulates and supervises national banks to ensure a safe, sound and competitive banking system that supports the citizens, communities and economy of the U.S.

Office of Thrift Supervision (OTS) - OTS regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services.

Origination - The process that a lender goes through to get complete and correct information about a loan applicant's income and credit.

Origination fee - A fee paid to a lender for processing a loan application; it is stated as a percentage of the mortgage amount, or points.

Owner financing - A purchase in which the seller provides all or part of the financing.

Payment cap - A provision of some ARMs limiting how much a borrower's payments may increase regardless of how much the interest rate increases; may result in negative amortization.

PITI - Stands for principal, interest, taxes, and insurance, which are the components of a monthly mortgage payment.

Planned unit development - A housing development in which common areas, such as parks or building lobbies, are owned and kept up by a residents' association, while individuals own their own housing units.

Point or points - A one-time charge the lender adds to a mortgage loan. A point is 1% of the mortgage loan amount.

Prepayment penalty - A fee charged to a borrower who pays off a loan before it is due.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms (continued)

Prequalification - The process of determining how much money a prospective homebuyer will be eligible to borrow before a loan is applied for.

Principal - The outstanding balance of a loan, not counting interest or any other charges.

Private mortgage insurance (PMI) - Insurance provided by nongovernmental insurers that protect lenders against loss if a borrower defaults.

Probate sale - A sale held to sell property, including houses, of a person who has died.

Property inspection - The examination of a house by a licensed inspector to see if its structure is sound and if its mechanical systems, such as plumbing and heating, are working.

Purchase and sale agreement - A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

Qualifying ratios - Guidelines applied by lenders to determine how large a loan to grant a homebuyer.

Radon - A radioactive gas found in some homes that in sufficient concentrations could cause health problems.

Rate lock - See Lock-in.

Real estate agent - A person licensed to negotiate and transact the sale of real estate on behalf of the owner.

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

References - Names and phone numbers of previous customers of a contractor. It is a good idea to call a contractor's references before hiring him, to make sure he has done good work in the past.

Refinancing - The process of paying off one loan with the proceeds from a new loan secured by the same property.

Rehab - Short for "rehabilitation." To rebuild an existing house or building to make the space more livable or usable and more valuable.

Remodeling - To rebuild and improve a house or building, often changing its "model" or layout or adding rooms.

Rent with option to buy - See Lease-Purchase Mortgage Loan.

Repossess - To take back a property, such as a car, when the borrower or owner does not make payments due on the property. Done by a lender or seller.

Rural Development (RD) - Formerly the Farmers Home Administration, RD is part of the U. S. Department of Agriculture. It administers grant and loan programs to promote and support housing and essential community facilities development in rural communities.

Second mortgage - A mortgage that has rights that are subordinate to the rights of the first mortgage holder.

Secondary mortgage market - The buying and selling of existing mortgages.

Security - See collateral.

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



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms (continued)

Semi-detached house - A house that is attached to another property, such as a duplex or townhouse.

Settlement attorney - A lawyer who organizes the closing on a house sale, by preparing necessary papers, paying fees, and conducting the settlement meeting between seller and buyer.

Settlement costs - See closing costs.

Settlement sheet - The computation of costs payable at closing which determines the seller's net proceeds and the buyer's net payment.

Settlement - See Closing.

Specifications - A detailed description of the size, shape, materials, and other details of a building or remodeling project.

Subcontractor - A contractor that another contractor hires. For instance, if you hire a contractor to remodel your kitchen, he might hire a plumber as a subcontractor to add new pipes for a dishwasher.

Subsidized second mortgage - An alternative financing option for low- and moderate-income households that also includes a down payment and a first mortgage, with funds for the second mortgage provided by city, county, or state housing agencies, foundations, or nonprofit corporations. Payment on the second mortgage is often deferred, carries no or low interest rates, and part of the debt may be forgiven for each year the family remains in the home.

Survey - A measurement of land by a registered surveyor.

Survey Map - A drawing or map showing a property's boundaries, any places the property may have been improved or changed, rights of way, and other physical features.

Surveyor - A professional who checks the boundaries of a property.

Tax assessor - A government employee who determines a property value for tax purposes.

Tenancy by entirety - A type of joint ownership of property available only to a husband and wife.

Tenancy in common - A type of joint ownership in a property without right of survivorship.

Term - The length of time in which a loan is to be repaid. A 30-year mortgage loan has a 30-year term.

Terms - All conditions placed on a loan, including the interest rate, any finance charges, and the length of the loan.

Three/two (3/2) option - An alternative financing plan that enables households whose earnings are no more than 115 percent of the median income in their regional area to make a 3 percent down payment with their own funds, coupled with a 2 percent gift from a relative or a 2 percent grant or unsecured loan from a nonprofit or state or local government program.

Title - Proof of ownership of a property. A clean title is one that shows no liens against it.

Title company - A company that specializes in insuring title to property.



BALTIMORE HOUSING

Office of Homeownership
417 E. Fayette Street, Suite 1125
Baltimore, MD 21202
410-396-3124
www.baltimorehousing.org

Homeownership Glossary of Terms (continued)

Title insurance - Insurance that compensates the insured a specific amount for any loss caused by defects of title to real estate.

Title search - A check of public title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

Total monthly debt - The total amount of credit card, car loan, and other debt payments a person must pay each month. Used to figure out debt-to-income ratios.

Total monthly income - The amount of money that comes into a household every month from a job or jobs, interest or dividends, alimony, disability payments, and public assistance. A lender uses the total monthly income figure to decide how much house payment a loan applicant can afford. Also called "gross monthly income."

Transfer tax - State or local tax payable when title passes from one owner to another.

Truth in Lending Act - A federal law that requires lenders to provide complete and correct information, in writing, about how much a borrower owes, when payments are due and how much they are, and what interest rates and other charges are.

U.S. Department of Housing and Urban Development (HUD) - A federal government agency responsible for managing many of the nation's housing programs and for protecting rights of homebuyers, homeowners, sellers, and renters.

U.S. Department of Veterans Affairs (VA) - A federal government agency responsible for programs for former members of the armed services.

Underwriting - The process of analyzing a borrower's finances and credit in order to decide whether or not to make a loan. The underwriter is the person who has authority to approve a loan.

Unsecured credit - Any credit that is not secured by property (such as a house). A credit card is unsecured credit, while a mortgage loan is secured.

VA loans - A loan that is guaranteed by the Veterans Administration.

Verification - The process of making sure or verifying that all of a borrower's loan application information is accurate.

Warranty - A guarantee by a seller or manufacturer that a product is what it is claimed to be, that it is in working order, and, in some cases, that the seller or maker will repair the product.

Wiring diagram - A diagram of the electrical wiring in a house, showing where all the circuits and plugs are.

Zoning - A county or city law stating the types of use to which properties can be put in specific areas.