

# Homeownership

## Guide

**MAINE  
STATE  
HOUSING  
AUTHORITY**

[www.mainehousing.org](http://www.mainehousing.org)

OPENING THE DOOR TO OWNING YOUR FIRST HOME

# Dear Future Homeowner,

For most people, buying a home is the biggest financial commitment they'll ever make, and right now, buying your own home probably seems like a very big step.

But buying a home isn't just one big step. It's really a series of smaller, simpler steps.

This brochure describes those steps so you may be able to buy the home you want. Along the way, we help answer questions you may have — questions like...

Can I afford a down payment?

Who should I talk to first?

What kind of financial help can I get?

Do I have enough (or too much) household income?

What kind of home can I buy?

How do I get a home loan?

Maine State Housing Authority (MSHA) loans have **interest rates below conventional mortgages** — plus we offer several programs to help you buy your own home.

We've been a trusted partner and resource for over 30 years. We've helped thousands of people buy their own homes. Now we're ready to help you buy yours, too!



— Dale McCormick,  
Maine State Housing Authority Director

# Am I eligible?

If you can answer “yes” to these questions, you may be eligible for MSHA help in buying your own home.

## ■ Am I a first-time homebuyer?

*If you haven't owned a home in the past three years, you qualify as a first-time homebuyer. That means even if you've owned a home before, you may still be eligible.*

## ■ Do I have enough household income?

*Income limits for MSHA programs are as wide as possible, so many people who think they have too much or too little income may actually qualify. Limits vary depending on how many people live in your household and on the county where you'd like to buy your home. See the chart in the pocket of this brochure, or go to [mainehousing.org](http://mainehousing.org) to find out if your household income qualifies.*

## ■ Is my net worth less than \$50,000?

*Net worth is the difference between your assets (what you own) and your debts (what you owe). Your lender can help you figure out what your net worth is.*

# What kind of home can I buy?



Many kinds of homes, from multi-unit apartment buildings to mobile homes, may qualify for purchase with MSHA assistance.



New and existing single-family homes, owner-occupied two- to four- unit apartment buildings, and condominiums are all eligible. So are mobile homes built after June 1976.



See the chart in the back of this brochure, or go to [mainehousing.org](http://mainehousing.org) to find out if the price of the house you want meets MSHA guidelines.



# What do I need to know about financing my own home?

**Interest Rate** *MSHA programs offer fixed interest rates lower than conventional loans.* That means your principal and interest payments will never change. You may save money every single month and save many thousands of dollars more over the life of your loan.

MSHA publishes its current interest rates at the beginning of each month for the **First Home Program** and the **Maine Assist** options. Be sure to double-check the rate with your lender when you're ready to buy a house. See the chart in the pocket of this brochure, or go to [mainehousing.org](http://mainehousing.org) to find out more.

**Down Payment** A down payment is the amount of cash you'll need in order to purchase a home. A MSHA loan with mortgage insurance will help you buy your first home with little to no money down.

Your down payment will depend on the type of mortgage insurance you choose.

Mortgage Insurer	Down Payment
Rural Development (RD)	0%
Department of Veterans Affairs	0%
Federal Housing Administration (FHA)	3%
Private Mortgage Insurance	0–10%

*OR, If you are buying a single-wide mobile home, ask your lender about MSHA's mobile home self-insured option.*

Your lender will help you find the best mortgage insurance for you.

For some eligible homebuyers, MSHA's **Maine Assist** program can help pay for the down payment. If you qualify for **Maine Assist**, you may receive assistance equal to as much as 3% of your mortgage amount (up to \$5,000 total).

**Mortgage** Your mortgage is the claim a lender has on your home to ensure you repay your loan. Loans acquired with MSHA programs must be repaid over 30 years. If you want to buy a mobile home, the terms of the loan will vary depending on the age of the home.

**Closing Costs** Closing costs pay for a variety of legal and financial obligations homebuyers must meet before final mortgage papers are signed. These obligations include legal fees, real estate appraisal, title search, and credit check, and may also include escrowed taxes, insurance, and prepaid interest.

MSHA's **Maine Assist** program is also designed to assist eligible homebuyers with closing costs. If you qualify, you may also receive assistance toward your closing costs.

**Recapture Tax Liability** With a MSHA loan, if you sell your home within nine years of purchase AND if you make a profit AND if your annual income increases above a certain level, the federal government *may* claim in taxes a portion of the money you saved by participating in a MSHA program. This is called a "recapture tax."

Most MSHA program participants who choose to sell their home within nine years pay no federal recapture tax at all. Others pay very little. For more information, ask your lender for MSHA's "Questions & Answers About Recapture" brochure.

# How can MSHA help me buy my own home?

MSHA has several programs that can make it easier and more affordable to buy the home you want.

## Can I find an affordable mortgage?

Thousands of Mainers like you have been able to afford their own home with help from MSHA's **First Home Program**.

Eligible buyers can get mortgages with interest rates **lower than conventional mortgages**. That can save you money every month, and save you tens of thousands of dollars over the life of your mortgage!

## How much can I borrow to buy a home?

The amount you may borrow depends on your financial situation. Your lender will work with you to figure out how much you can afford.

MSHA also limits the maximum purchase price for homes that are eligible for MSHA assistance. See the chart in the pocket of this brochure, or go to [mainehousing.org](http://mainehousing.org) to find out if the price of the house you want meets MSHA guidelines.

## What if I can't afford a big down payment?

The **Maine Assist** program can help you with your down payment, closing costs, and prepaid escrow expenses. You may be eligible for assistance equal to as much as 3% of your mortgage amount — up to \$5,000 — when you close on your home (a time when most homebuyers need it most!).

**Maine Assist** is available for MSHA loans using private or FHA mortgage insurance, and for MSHA's mobile home programs, too. Best of all, with **Maine Assist**, there's no monthly payment and no second mortgage!

## What if the house I want to buy needs repairs?

If you'd like to own a home that needs repairs but are worried about the cost, the **Purchase Plus Improvement** program may be for you. If you're eligible for this program, improvements to your heating, plumbing, or electrical systems, additions, and other upgrades valued at up to \$15,000 may be included in your mortgage, as long as the cost of the home and repairs doesn't exceed MSHA's purchase price limits.

# How do I get started?

MSHA has tried to make the process of buying your home as easy as possible. You can count on MSHA to be an important resource for information and support.

## The Loan Process

**1 Contact a Lender** A lender will help you figure out how much you can pay for your new home, loan you the money for your mortgage, and be an important partner in the homebuying process. A lender can be a bank, a credit union, or a mortgage company. MSHA is *not* a lender. You'll find a list of participating lenders at the back of this brochure. These lenders have many years of experience helping Maine homebuyers get MSHA financing.

**2 Find a Home** Once your lender has helped you figure out how much you can afford, it's time to start looking for your new home. If you don't already have a house in mind, look in the real estate section of your paper or contact a real estate professional. Be sure to select someone who is familiar with MSHA programs.

**3 Get a Purchase & Sale Agreement** Your real estate professional will help you complete a Purchase & Sale Agreement (P&S). A P&S is a contract you sign with the owner of the house you want to buy, which says you promise to buy the house at a certain price within a certain amount of time.

Your P&S should list the condition of obtaining a MSHA loan at the current loan rate and with the necessary down payment. If for some reason you are unable to get a MSHA loan, you will not be obligated to buy the house if your P&S lists those conditions. Your P&S should also require the seller or a third party to pay three points on the loan.

**4 Consider a Home Inspection** It's a good idea to include a home inspection in your P&S, too. A home inspection will tell you if the house has any structural problems or needs any repairs you may not know about. If the house was built before 1978, you may want to have it inspected by a licensed lead hazard risk assessor. Lead paint is common in older homes and can be a very serious health hazard, especially to young children. Your investment will be worth the cost of a home inspection.

**5 Bring Your P&S to Your Lender** The lender will help you fill out a loan application and collect a fee. Once the application is filled out, the lender will start to process the loan. Most MSHA loans are processed in 60 to 90 days.

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# Homebuyer Education Class

A Homebuyer Education Class is an **easy** and **inexpensive** way to learn how to make **smart** decisions when buying your home.

Get all your questions answered by an expert as you learn how to shop for a loan, qualify for lower rates, budget for monthly payments and unexpected expenses, and more. Homeowners who have taken the class say they felt much more confident at every step of the homebuying process as a result.

Homebuyers applying for the **Maine Assist** program are required to take a hoMEworks-approved Homebuyer Education Class, but anyone thinking of buying a home can benefit from taking the class.

More than 100 hoMEworks-approved Homebuyer Education Classes are held throughout Maine all year round. Go to [www.mainehomeworks.org](http://www.mainehomeworks.org) for an online schedule, or contact MSHA for more information.

## **MAINE STATE HOUSING AUTHORITY**

Maine State Housing Authority does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age, physical or mental disability, or familial status in the admission or access to, or treatment or employment in, its programs and activities. MSHA will provide appropriate communication auxiliary aids and services to persons with disabilities upon sufficient notice. MSHA will also provide this document in alternative formats upon sufficient notice. MSHA has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements: Jodie Stevens, Maine State Housing Authority.



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