

TOKA Unrestricted Income Program

Are you ready to become a homeowner?

Questions & Answers



The Tohono O’Odham Ki:Ki Association has been working hard to bring more homeownership opportunities to the Tohono O’Odham Nation. A new loan program has been created for all income levels. Until now it has been difficult for families of all income levels to qualify for homeownership due to strict income guidelines with other programs.

Why is owning a home important? A home is a financial asset and more: it’s a place to live and raise a family; it’s a plan for the future; it’s an investment in your community. That’s why TOKA, with the support of Council wants all Members to have an opportunity to enjoy the benefits of owning a home.

To become a homeowner, you need to know where and how to begin the homebuying process. The following questions and answers have been carefully selected to give you a foundation of basic knowledge. This brochure will give you the tools necessary to navigate the entire process- from deciding whether you’re ready to buy, all the way to that final proud step, getting the keys to your new home.

We hope to be of service to you.

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**GETTING STARTED**

1. **HOW DO I KNOW IF I’M READEY TO BUY A HOME?**

Ask yourself these questions:

* + Do I have a steady source of income (usually a full-time job)? Have I been employed on a regular basis for the last 2-3 years? Is my current income reliable?
	+ Do I have a good record of paying my bills?
	+ Do I have few outstanding long-term debts, like car payments?
	+ Do I have money saved for a down payment?
	+ Do I have the ability to pay a mortgage payment every month, plus additional costs?

If you can answer “yes” to these questions, you are probably ready to buy your own home.

1. **HOW DO I BEGIN THE PROCESS OF BUYING A HOME?**

Start by thinking about your situation. Are you ready to buy a home? How much can you afford in a monthly mortgage payment (see Question 4 for help)? How much space do you need? Would you like to live in the Tohono O’Odham Nation? After you answer these questions start doing research. Look at the floor plans TOKA has available and drive through the neighborhoods where the homes will be built.

1. **HOW DOES PURCHASING A HOME COMPARE WITH RENTING?**

The two don’t really compare at all. The main advantage to renting is being generally free of most maintenance responsibilities. But by renting, you lose the chance to build equity, take advantage of tax benefits, and protect yourself against rent increases. Also, you may not be free to decorate without permission and may be at the mercy of the landlord for housing.

Owning a home has many benefits. When you make a mortgage payment, you are building equity. And that’s an investment. Equity is the difference between the appraised value of your home and the current outstanding loan amount owed. Equity may come in handy later in life if you need a home improvement loan or if you sell your home. Owning a home also qualifies you for tax breaks that assist you in dealing with your new financial responsibilities- like insurance and upkeep. Given the freedom, stability, and security of owning your home makes those responsibilities worth it.

1. **WHO WOULD BE MY LENDER?**

TOKA is the direct Lender for all their loan products. TOKA has a partnership with Native Housing Consulting Services (NHCS), [www.nativehousingconsultingservices.com](http://www.nativehousingconsultingservices.com) , to facilitate all the loan process. NHCS has over 30 years combined loan experience and will be your main point of contact during the loan process.

1. **HOW DOES TOKA DECIDE THE MAXIMUM LOAN AMOUNT THAT I CAN AFFORD?**

TOKA considers your debt-to-income ratio, which is a comparison of your gross (pre-tax) income to housing and non-housing expenses. Non-housing expenses include such long-term debt as car or student loan payments, alimony, or child support. According to the TOKA UIP, monthly mortgage payments should be no more than 30% of gross income, while the mortgage payment, combined with non-housing expenses should total no more than 45% of your income. These ratios are more flexible than most standard lending products available. They will also consider cash available for down payment and closing costs, credit history, etc. when determining your maximum loan amount.

1. **HOW CAN I DETERMINE MY HOUSING NEEDS BEFORE I BEGIN THE SEARCH?**

Your home should fit the way you live, with spaces and features that appeal to the whole family. Before you begin looking at homes, make a list of your priorities- things like – how large should the house be? What kind of amenities are you looking for? If the “dream home” you would like isn’t affordable for you now is there a floor plan that you can expand later to fit your needs?

**FINDING YOUR HOME**

TOKA has pre-designed floor plans for you to choose from. You may also select certain up-grades or options depending on your affordability.

1. **WILL I NEED A REAL ESTATE AGENT?**

TOKA has hired MC Dream Builders Realty, LLC to represent TOKA in the sales of the homes and assist the homebuyers through the entire purchase transaction. They are the preferred brokerage for TOKA and have experience specific to home sales and purchases on Indian Trust Land. As a buyer you have the right to retain a real estate broker to represent you at your own expense, which should also have experience specific to Indian Trust Land.

1. **HOW CAN I FIND OUT HOW MUCH HOMES ARE SELLING FOR OUTSIDE OF THE NATION IN SURROUNDING AREAS SO I CAN COMPARE PRICES?**

MC Dream Builders Realty, LLC can show you comparable homes and pricing in the surrounding metropolitan areas. They will also explain the differences between real estate markets outside of the Nation compared to within the Nation.

1. **WHAT OTHER SERVICES WILL THE MC DREAM BUILDER REALTY, LLC REAL ESTATE AGENTS PROVIDE?**
* Writing the Purchase Contract
* Explain all the features and options of floor plans
* Assist you with selecting the floor plan that is within your affordability
* Assist you with selecting options or up-grades that are within your affordability
* Collecting your loan information for your Pre-Qualification
* Collecting your Earnest Money deposit
* Schedule your home inspection and facilitate any repairs if necessary
* Schedule entry for your Appraiser
* Coordinate your loan closing

**YOU’VE FOUND IT**

After you decide that you are ready to become a homeowner, live within the Nation, and have also been pre-qualified for a loan it is time to identify a floor plan. You will identify a floor plan that will fit your needs based on your affordability. The home you select may have already been constructed and is ready for move in *or* your home may not be constructed yet based on the floor plan you have selected. Let’s look at the next steps for either option in regards to an inspection.

1. **WHAT IS A HOME INSPECTION?**

A Home Inspection is not required, but highly advised to be conducted by a 3rd party licensed Inspector. An inspector checks the safety of your potential new home. Home Inspectors focus especially on the structure, construction, and mechanical systems of your house and will make you aware of any repairs that are needed.

The Inspector does not evaluate whether you’re getting good value for your money. Generally, an inspector checks the electrical system, plumbing and waste disposal, the water heater, insulation and ventilation, the HVAC system, water source and quality, potential presence of pests, the foundation, doors, windows, ceilings, walls, floors, and roof.

1. **IF MY HOME HAS ALREADY BEEN CONSTRUCTED SHOULD I GET A HOME INSPECTION?**

It is wise to have a Home Inspection done if your home has been constructed. Even if it has never been lived in. This will give you peace of mind that all the important functions of your home are working properly prior to your move-in.

1. **HOW MUCH DOES A HOME INSPECTION COST?**

The cost of Home Inspections varies depending on the size of your home and its location. Generally, they cost between $300-$500.

1. **DO I NEED TO BE THERE FOR THE INSPECTION?**

It’s not required, but it’s a good idea. Following the inspection, the home inspector will be able to answer questions about the report and any problem areas. This is also an opportunity to hear an objective opinion on the home you’d like to purchase and it is a good time to ask general, maintenance questions.

1. **IF MY HOME IS NOT YET CONSTRUCTED WHAT TYPE OF INSPECTIONS ARE PERFORMED?**

During the construction of your home there are a series of inspections that happen at various phases of construction. The Tohono O’Odham Development Department has Compliance Inspectors that perform these inspections. They will ensure your home has been built to code and per the Plans and Specifications of your floorplan. You are encouraged to speak directly with your Compliance Inspector if you have any questions regarding their inspections.

1. **WILL MY HOME HAVE A WARRANTY?**

There are 2 types of warranties. A Builder’s Warranty and a Home Warranty. Let’s look at each.

* On all new construction homes, there will be a 1 year *Builder Warranty*. This will cover all mechanical and structural issues related to the home. If there is an issue within the first 12 months of owning your home, you will contact the Contractor directly to correct the issues.
* *Home Warranties* are purchased from a 3rd party company and offer you protection for a specific period. When that time expires, you may have the option to renew your warranty. Home warranty coverage varies depending on the age and amenities of your home but generally cover: appliances, HVAC systems, garage doors, garbage disposals, electrical and plumbing issues. Costs also vary. Always research and compare costs of home warranty companies.

**FINANCING YOUR HOME**

1. **WHAT IS A MORTGAGE?**

A mortgage is a loan obtained to purchase real estate. The “mortgage” itself is a lien (legal claim) on the home and property that secures the promise to pay the debt. All mortgages have two features in common: principal and interest.

1. **WHAT ARE THE TERMS OF MY LOAN?**

30-year fixed rate mortgage. This means your payments remain the same for the life of your loan (except for any increases due to your homeowner’s insurance)

1. **HOW MUCH OF A DOWN PAYMENT WILL I NEED?**

You will need to come in with a minimum of $1000 in down payment and are encouraged to start saving. For mortgage-qualified families or individuals, there will be Down Payment Assistance available as follows based on income level, in addition to, the required down payment monies you will be responsible for.

**Low-Income**- For families or individuals with yearly household income below 80% of the United States Medium Income (USMI), as determined by HUD, there will be up to $50,000 available based on need. The Down Payment Assistance will be provided to mortgage qualified families or individuals as forgivable 2nd silent loans as long as the borrower lives in the home for 20 years. If the home is sold within this time it must be sold with TOKA’s assistance to ensure the new buyer is also qualified as Low-Income buyer under 80% of the USMI.

**Over-Income**- For families or individuals with yearly household income between 80% and 120% of the USMI, as determined by HUD, there will be up to $10,000 available based on need. The Down Payment Assistance will be provided to mortgage-qualified families or individuals as forgivable 2nd silent loans as long as the borrower lives in the home for five years. If the home is sold within this time it must be sold with TOKA’s assistance to ensure the new buyer is also a qualified buyer between 80% and 120% of the USMI**.**

1. **CAN I PAY MY LOAN OFF AHEAD OF SCHEDULE?**

Yes. By sending extra money each month or making an extra payment at the end of the year, you can accelerate the process of paying off the loan. When you send extra money, be sure to indicate that the excess payment is to be applied to the principal. You will not have a prepayment penalty.

1. **HOW WILL MY INTEREST RATE BE DETERMINED?**

TOKA uses current standard interest rates. Interest rates fluctuate from time to time. Your rate is typically “locked in” about 15-30 days prior to your loan closing.

1. **WHAT FACTORS AFFECT MORTGAGE PAYMENTS?**

The amount of your down payment, the size of the mortgage loan, the interest rate, your annual insurance premium, and the length of the repayment term.

1. **WILL I NEED TO PAY PROPERTY TAXES?**

No. One big benefit to purchasing a home within the Nation is that you do not pay property taxes. This makes a significant difference in your monthly mortgage payment in comparison to purchasing outside the Nation.

1. **DO I REALLY NEED HOMEOWNER’S INSURANCE?**

**ABSOLUTLY.** A paid homeowner’s insurance policy is required at closing. You will be required to hold insurance on your home for the term of your loan. This not only protects you from loss but also protects your Lender, as you have pledged your home as collateral for your loan. There are several coverage options available to you and your Insurance Agent will be able to explain them to you.

1. **WHAT INFORMATION DO I NEED TO PROVIDE TO GET THE LOAN PROCESS STARTED?**

You will work directly with the MC Dream Builders Realty, LLC real estate agents and NHCS on your loan. The real estate agent will collect your loan documents and submit them to NHCS for underwriting. These documents will include:

* Pay stubs for the past 2-3 months
* W-2 forms for the past 2 years
* Bank statements for the past 2-3 months
* Tax returns for the past 2 years
* Complete Loan Application
* Proof of any other income (social security, pension, child support etc.)

During the application process, NHCS will order a credit report and evaluate all the information listed above.

1. **WHAT IS THE DIFFERENCE BETEWEEN A PRE-QUALIFICATION AND PRE-APPROVAL?**

Pre-qualification is an informal way to see how much you may be able to borrow. There may be conditions or “tasks” that you need to complete before you can get an approval.

Pre-approval is a Lender’s actual commitment to lend to you. Pre-approval gives you a definite idea of what you can afford and your loan terms.

1. **WHAT IS A CREDIT REPORT AND WHY IS IT NECESSARY?**

This is a report from the 3 major credit bureau agencies that represents how you have handled repaying your debt. This is an important factor for your loan because it gives the Lender an idea of your financial responsibility and how you will handle a mortgage payment. Having a mortgage will likely be the biggest financial responsibility you will ever have. Your Lender will grant you a large amount of money, your credit report is a tool used to determine their level of risk in lending you the money.

1. **WHAT IF I DON’T HAVE GOOD CREDIT?**

Don’t worry, most people are terrified of dealing with anything related to credit. Sometimes that fear isn’t even necessary. Although your credit report will capture the data regarding any debts that have been reported, the biggest impact on your credit is your most recent 24-month history. NHCS will provide you with individual credit counseling. During this session(s) you will be given an Action Plan that will help you clear up any outstanding issues. Even if you can’t get qualified immediately, don’t give up we will be with you every step of the way, if you are willing to put in the work to make your home a reality.

1. **WHAT RESPONSIBILITIES DO I HAVE DURING THE LENDING PROCESS?**
* Be sure to read and understand everything before you sign.
* Do not overstate your income
* Do not overstate how long you have been employed
* Do not overstate your assets
* Accurately report your debts
* Do not change your income tax returns for any reason
* Be truthful about your credit problems, past and present
* Be honest about your intention to occupy the house
* Do not provide false supporting documents

**CLOSING**

1. **WHAT HAPPENS AFTER I’VE APPLIED FOR MY LOAN?**

NHCS will notify you of the loan decision. You will either have some work to do before you can qualify or you will receive a Pre-Approval. If you receive an approval and your home is already constructed an appraisal will be ordered and a closing date will be set. You will perform a final walk-through of your home to ensure it is in the condition for you to accept the home. The closing date is when you will sign all your legal documents and receive the keys to your home.

1. **WHAT SHOULD I LOOK OUT FOR DURING THE FINAL WALK-THROUGH?**

This will be your opportunity to closely examine your house. Check the walls and ceiling carefully, as well as any work that may have been stipulated as a result of your Home Inspection. Your loan closing should not take place if there are unresolved issues.

1. **WHAT ARE CLOSING COSTS?**

Costs above the sales price of your home associated with your loan. Typically closing costs consist of (but not limited to) the following:

* Loan Origination fee (covers lenders administrative costs)
* Pre-paid interest (paid from date of closing to 30 days before first monthly payment)
* Title company fees 2 month’s reserves for homeowner’s insurance
* Credit report fees
* Appraisal fee
1. **WHAT CAN I EXPECT TO HAPPEN ON CLOSING DAY?**

You will go to a Title Company to sign your loan documents. You’ll pay any closing costs, receive a copy of the documents you signed and receive the keys to your new home.