



Road MAP

To MHC Programs &
How To Finance A Home

735 Riverside Drive | Jackson, MS 39202 | 601.718.4642 | mshomecorp.com







Mississippi Home Corporation (MHC) has assisted many Mississippi families with their housing needs since 1989, and we want you to be next.

At MHC, we know that finding the cash for downpayment and closing costs when trying to buy a safe, decent, and affordable home is a major stumbling block for many Mississippians. Another stumbling block for many homebuyers is past credit issues or being credit ready to buy a home.

MHC not only understands these needs, but has a solution! We have programs that will offer you cash assistance at closing if that is what you need, and homebuyer education classes to improve your credit.



**Scan QR Code to visit MHC's
website for more info!**

Who Can Qualify for MHC Assistance?

- Our programs are designed for both first-time homebuyers and those looking to upgrade. If you've never owned a home, or have not had a primary interest in a home within the past three (3) years, you are considered a first-time homebuyer.
- If you currently own a home, but want to buy a home, for your primary residence, in a targeted county (see income list for targeted and non-targeted counties) you may qualify for assistance.
- Your household income must not exceed the program's maximum income limits (varies by program).
- The home you want to build or buy must fall within MHC's maximum purchase price limits (varies by program).
- If you are a teacher who agrees to teach in a critical shortage school district for a minimum of 3 years you may be eligible for assistance.

What Does MHC have to Offer Me?

- Smart7 (see page 5)
- Easy8 (see page 6)
- Trusty10 (see page 7)
- JustRate (see page 8)
- Mortgage Credit Certificate (see page 9)
- Housing Assistance for Teachers Grant (see page 10)

**Mississippi Home Corporation is
the State's Affordable Housing Finance Agency**

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Smart7



Smart 7 Mortgage Program can give homebuyers the funds needed to purchase their first home or upgrade to a new one. This program offers competitive interest rates with down payment assistance as a second mortgage. Smart 7 is offered through lenders at a 30 year fixed rate (set by MHC).

- Credit score is based on servicer guidelines
- Buyer must be a legal resident of the United States
- Program is not limited to a first-time homebuyers, but property must serve as primary residence
- Household annual income cannot exceed \$137,870
- \$7,000 with 0% interest due upon sell



Smart7 Second Lien

- \$7,000 downpayment and/or closing cost at 0% interest. (Principal due upon property sale, refinance, non-owner occupied, or loan maturity.)

Easy8



Easy8 offers \$8,000 in down payment assistance and closing costs with a competitive interest rate. Let us make your dream of homeownership a reality.

- 30-year fixed rate mortgage (rate subject to change)
- FHA insured, VA, Rural Development, & Fannie Mae/Freddie Mac Loans
- No liquid asset limit
- \$8,000 second mortgage at 0% interest
 - Principal due upon property sale, refinance, non-owner occupied, or loan maturity
 - Can be used towards down payment, closing costs, or pre-pays



Scan QR Code To See Your
County's Income Limits

Trusty10



Need a program you can trust? Trusty10 offers \$10,000 in down payment assistance and closing costs with a competitive interest rate. See if this program is right for you.

- 30-year fixed rate mortgage (rate subject to change)
- FHA insured, VA, Rural Development, & Fannie Mae/Freddie Mac Loans
- No liquid asset limit
- \$10,000 down payment as a 2nd mortgage
 - 2nd mortgage has a 2% interest rate
 - 15-year loan
 - Can be used towards down payment, closing costs, or pre-paids

← TRUSTY10 →



Scan QR Code To See Your
County's Income Limits

JustRate



JustRate allows a homebuyer to utilize a lower competitive interest rate offered through the Mortgage Revenue Bond (MRB) program without receiving down payment assistance.

- 30-year fixed rate mortgage (rate subject to change)
- Receive a lower rate than any other MRB Programs
- FHA insured, VA, Rural Development, & Fannie Mae/Freddie Mac Loans
- No liquid asset limit

JUST % RATE



Scan QR Code To See Your
County's Income Limits

Housing Assistance for Teachers (HAT)



Provides up to \$6000 in downpayment & closing cost assistance for Mississippi certified public school teachers towards the purchase of a home in select areas of the state.

- Can be used with FHA, VA, RD Guaranteed, Fannie Mae or Freddie Mac loans
- Assistance (grant) money does not have to be paid back if the teacher completes a minimum of three years within a critical shortage school district
- Grant can be used for downpayment, closing costs, prepaid expenses, and Mortgage Insurance
- Applicants must provide a minimum down payment from one's own funds of 1% of the sales price and one month reserves. Reserves may be a gift from a relative
- No income limits unless being used with JustRate, Smart7, Easy8, or Trusty10



Scan QR Code To See
Critical Shortage Areas

How Do I Get Assistance from MHC?



Follow these steps listed on the next few pages that best fit your circumstances:

If you have found a house you want to buy, then:

- Contact one of Mississippi Home Corporation's Participating Lenders to get pre-qualified for your loan (see mshomecorp.com). Getting pre-qualified is the first step in the loan process tells you the maximum amount the Lender will loan you for your home purchase.
- Make sure you qualify using the income and acquisition limits enclosed depending on program, and meet the first-time homebuyer status (if applicable), required by MHC, for the county in which you are considering purchasing your new home. (Not all counties require that you be a first-time homebuyer.)
- Contact your seller/Real Estate professional, and let them know your pre-qualification status. This will then allow your seller/Real Estate professional to obtain a sales contract for you, which your Lender must have, before the lender can reserve assistance with MHC for your loan.
- Return to your Lender, and complete the loan process. This will include the Lender reviewing your complete credit history, verifying your income and other necessary items required by FHA, VA, RD, Fannie Mae or Freddie Mac. Your Lender will then contact MHC for you and reserve the assistance.
- Loan closes, move into your new home!

If you have NOT found a house you want to buy, then:

- Contact one of Mississippi Home Corporation's Participating Lenders to get pre-qualified for your loan. Getting pre-qualified is the first step in the loan process and tells you the maximum amount the Lender will loan you for your home purchase.
- Make sure you qualify using the income limits enclosed, and meet the first-time homebuyer status (if applicable), for the county in which you are considering purchasing your new home.
- Either contact a Real Estate professional to help you find a home, or search on your own for a home that fits within your pre-approved limits and MHC's purchase price limits. (Not all homes qualify for lender financing.)
- Have the seller/Real Estate professional obtain a sales contract for you, which your Lender must have before the lender can reserve assistance with MHC for your loan.
- Return to your Lender, and complete the loan process. This will include the Lender reviewing your complete credit history, verifying your income and other necessary items. Your Lender will then contact MHC for you and reserve the assistance.
- Loan closes, move into your new home!

If you want to buy a house but know that you need help with your credit, then:

- Contact a lender to get pre-qualified and Lender will conduct an interview.
- Lender will then refer you to an approved Credit Counselor
- Credit Counselor will go over your file with you and then refer you to a homebuyer education counselor.
- Return to your lender for a referral to a REALTOR (not required) who will help you in locating a home you can qualify for. Lender will reserve the loan with MHC once all above requirements have been met.
- Lender completes the loan.
- Closing takes place, move into your new home!

Homebuyer Education

Why should I consider Homebuyer Education?

Home Buyer Education gives potential homebuyers added confidence throughout the homebuying process. The class is designed to educate the buyer of all the steps and obligations in purchasing and owning a home.

The eight-hour class is typically offered by a non-profit in your community. Counseling can be completed online for no fee. Certificates are issued to those who complete the class.

The class will cover topics including:

- how to shop for a home
- a REALTOR's responsibilities
- what constitutes a good home inspection
- what information to take to a lender when applying for a mortgage
- understanding the documents involved in qualifying and closing a loan.



Scan to visit the Homebuyer
Education Resources page

Where Do I Go From Here?



Now you have the information you need to get your homebuying process going! Take the first step and visit to one of MHC's participating lenders.

Please don't make the mistake of trying to judge your credit yourself (it may not be as bad as you think), and don't be discouraged if you are turned down for your loan the first time you apply.

MHC works with a network of nonprofit housing partners that are both qualified and eager to assist you. These nonprofits specialize in helping people with credit problems, and this service is often free of charge.

A list of Consumer Credit Counseling Agencies is listed on the last page of this book. They are there to assist you with your credit problems and give you any assistance you might need.

Last but not least, work through the next section. The do-it-yourself worksheets will be both informative and useful to you in your search for a new home.

Best Wishes in Your Search for Your Home!



**Scan to Find an MHC
Participating Lender**

The Fair Housing Amendments Act of 1988

We Do Business in Accordance With the Federal Fair Housing Law



IT IS ILLEGAL TO DISCRIMINATE AGAINST ANY PERSON BECAUSE OF RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN

- In the sale or rental of housing or residential lots
- In advertising the sale or rental of housing
- In the financing of housing
- In the provision of real estate brokerage services
- In the appraisal of housing
- Blockbusting is also illegal

Anyone who feels he or she has been discriminated against may file a complaint of housing discrimination:

1-800-669-9777 (Toll Free)

1-800-927-9275 (TTY)

www.hud.gov/fairhousing

U.S. Department of Housing and Urban Development
Assistant Secretary for Fair Housing and Equal Opportunity
Washington, D.C. 20410

Getting Started

Lenders can often give you an initial “ballpark” estimate of whether or not you qualify for the loan you want. They do this by looking at your income, outstanding debts, and total gross income.

Now you can do the same, using the two methods we provide. The Income Ratio Method multiplies your total monthly income by approximately 31%* to estimate the maximum house payment you can afford.

The Total Debt Ratio Method takes approximately 43%* of your total monthly income, then subtracts your fixed monthly debts to estimate how much you have remaining for making your new house payment.

In addition to these ratios, other criteria, such as your credit history, total projected income, and property appraisal, etc., will be taken into consideration before the lender makes a final decision.



**Formulas and percentages used are for example only and may vary from lender to lender and by type of loan. Call your lender or Real Estate agent for this figure.*

How to Recognize Predatory Lenders

As a homeowner, you are building valuable equity. No matter how much debt you have, even a small amount of equity will attract companies that want to loan you money!

Reasons to borrow against your equity*:

- to make home improvements
- to consolidate debts

* Borrowing against equity is not applicable with MHC products since MHC products pertain to home purchase only and is not predatory.

Ways to access your equity*:

- a home equity loan or line of credit
- refinancing your home

What is predatory lending?

A lender intentionally making an expensive loan without considering the customer's best interests. Predatory lenders may charge high fees and rates and require high down payment investment. Shop around.

Who do predatory lenders target?

- homeowners
- elderly
- minorities
- women, and...
- people who live in neighborhoods where there are no banks

Why is predatory lending a problem?

In recent years, credit has become more widely available. Many Americans have maxed-out their credit limits and have tarnished their credit records. These same people may own homes but are living "paycheck to paycheck."

With blemished credit records denying access to standard, "prime/conforming," loans or credit, predatory lenders often appear to come in and save the day by making loans where other lenders would not. However, these loans often have high interest rates, down payment requirements of up to 20% of the purchase price, balloon payments, prepayment penalties and high fees.

If it sounds too good to believe, it probably is!

Don't believe it when they say, "Bad Credit? No problem!" or "no closing cost loan." The loan will include expensive "junk fees", inflated origination and broker fees, and a high interest rate. Other types of loans to be cautious of are: Interest Only Loans, some ARM (adjustable rate) loans and 40 yr. term loans to name a few.



Ask if the loan includes a balloon payment!

A balloon payment may lower your monthly payments, but there will be a large, one-time payment at the end of the loan term. Predatory lenders will include balloon payments and then refinance the loan later...with more fees and closing costs...this is called loan “flipping.”

Beware of the home improvement scams!

Predatory lenders often approach homeowners through home improvement schemes. They make you a costly loan based on your equity and you are left with the incomplete or shoddy repair work.

Consider options to credit life insurance!

These policies cover the loan for the lender if you die. Predatory lenders usually finance the one-time insurance premium into the loan, increasing the loan amount and the amount of interest you will pay. A regular life insurance policy can be cheaper and serve the same purpose.

Remember, when predatory lenders make a loan, they do not consider your ability to repay the loan. If you cannot pay, you could lose your home & destroy your credit history!

Choosing a Lender — It Pays to Compare

How should you choose a lender? Start with your local Real Estate professional. These professionals have a good grasp of the lending picture in your area & also maintain valuable contacts with selected lenders. In addition, you can do some shopping on your own. Be sure to ask questions like the following.

What type of loans are available?

Fixed rate or adjustable? 15-year term? 30-year term? Bi-weekly payments? Mortgage Revenue Bond Loan? MHC approved?, etc.

If you've decided on a particular type of loan, then ask:

- **What's the APR?** The annual percentage rate (APR) is a good gauge for comparing lenders. Federal regulations require that lenders give an annual percentage rate for every interest rate they advertise. The APR reflects additional costs such as points and fees, which will affect the total cost of financing to you.
- **Are the rates quoted negotiable?** Some lenders are willing to offer relationship discounts — reduced fees or points (not allowed on MHC programs), or a slightly lower interest rate — depending on credit score and loan products. This includes refinancing. Some may offer a lower interest rate if you agree to a larger down payment or higher loan fees depending on loan type.
- **How long should it take before my loan is approved?** Turnaround time on your loan can be critical. If you've located a “good deal” it will require that you move quickly. Your ability to get all information required to the lender in a timely manner can impact the time it takes. A loan on an existing house should be processed within 30-60 days. If you choose to build a home, the loan could take up to 120 days or longer to close. (MHC does not finance construction loans, only permanent financing.)

Processing time can affect the actual interest rate you end up paying if your rate expires. Some lenders today won't offer a rate guarantee during the time your loan is being processed. If they do, they may only guarantee a rate for a limited period of time. (Note: Some lenders may be willing to give you a preliminary approval on your loan, pending appraisal.)

- **Is there a loan application fee?** Many lenders charge a fee for processing your documents. If so, be sure to ask whether this fee(s) is refundable if your loan is not approved, or you withdraw your application.

How to Estimate Your Mortgage Loan Payment

There is a simple way to estimate the monthly principal and interest payment on your loan, if you know the interest rate and the loan term for repayment of your loan. (Does not include property taxes, hazard insurance and warranty insurance premiums.)

The interest rate factor chart can give you the factor that lenders use in computing your payment.*

For your convenience, we have provided space on the next page for you to calculate different monthly payment amounts, using different variables.

** With variable rate loans, this chart can be used to estimate monthly payments until the first adjustment interval.*

Follow these steps:

1. Find your interest rate (or a close approximation) in the first column.
2. Find your loan term at the top of the chart.
3. Use the resulting interest rate factor (where the two intersect) in the formulas.

Interest Rate Factor Chart		
Interest Rate	15 Year Loan Term	30 Year Loan Term
3%	6.91	4.22
3.25%	7.03	4.35
3.5%	7.15	4.49
3.75%	7.27	4.63
4%	7.40	4.77
4.25%	7.52	4.92
4.5%	7.65	5.07
4.75%	7.78	5.22
5%	7.91	5.37
5.25%	8.04	5.52
5.5%	8.17	5.68
5.75%	8.30	5.84
6%	8.44	6.00
6.25%	8.57	6.16
6.5%	8.71	6.32
6.75%	8.85	6.49
7%	8.99	6.65

How to Speed Up the Approval Process

If you're anxious to have your loan approved - to lock in a rate, take advantage of a special opportunity, or for whatever reason - you can help speed up the approval process by knowing the documents you need, and having them ready and neatly organized. Remember people process loans, not machines.

Document Checklist

- Exact name(s) in which the title is to be held
- List of who you owe money to and the amounts
- Property access information for appraisers
- Names and addresses of current, recent employers
- Recent pay stubs from each employer
- Recent Federal tax returns, including all schedules (up to 3 years depending on program)
- Names and account numbers for financial institutions where you have deposits
- Recent financial statements, including current profit & loss (P&L statement), if you are self-employed
- Rental agreements to verify rental property income
- Copies of court decrees stipulating child support, alimony income, and property settlement
- Verification of your own down payment source (e.g., gift, sale of property)
- Copy of existing note on a 2nd mortgage loan (if applies)
- Name and address of Homeowner's Association, if applicable

For Your Protection: Get a Home Inspection

Why a Buyer Needs a Home Inspection

A home inspection gives the buyer more detailed information about the overall condition of the home prior to purchase. In a home inspection, a qualified inspector takes an in-depth, unbiased look at your potential new home to:

- Evaluate the physical condition: structure, construction, and mechanical systems;
- Identify items that need to be repaired or replaced; and
- Estimate the remaining useful life of the major systems, equipment, structure, and finishes.

Appraisals are Different from Home Inspections

Appraisals are for lenders; home inspections are for buyers. An appraisal is required to:

- Estimate the market value of a house;
- Make sure that the house meets minimum property standards/requirements depending on loan type; and
- Make sure that the property is marketable

Inspections Do Not Guarantee the Value or Condition of your Potential New Home

If you find problems with your new home after closing, the lender can not give or lend you money for repairs, and can not buy the home back from you. That is why it is so important for you, the buyer, to get an independent home inspection. Ask a qualified home inspector to inspect your potential new home and give you the information you need to make a wise decision.

Radon Gas Testing

The United States Environmental Protection Agency and the Surgeon General of the United States have recommended that all houses should be tested for radon. For more information on radon testing, call the toll-free National Radon Information Line at 1-800-SOS-Radon or 1-800-767-7236. As with a home inspection, if you decide to test for radon, this can be requested before signing your contract, or you may do so after signing the contract as long as your contract states the sale of the home depends on your satisfaction with the results fo the radon test. Inspections are usually paid by the homebuyer. Contact a lender or realtor for more information.

Be an Informed Buyer

It is your responsibility to be an informed buyer. Be sure that what you buy is satisfactory in every respect. You have the right to carefully examine your potential new home with a qualified home inspector. You may arrange to do so before signing your contract, or may do so after signing the contract as long as your contract states that the sale of the home depends on the property inspection.

10 Important Questions to Ask Your Home Inspector

1. What does your inspection cover?

The inspector should ensure that their inspection and inspection report will meet all applicable requirements in your state, if applicable, and will comply with a well-recognized standard of practice and code of ethics. You should be able to request and see a copy of these items ahead of time and ask any questions you may have. If there are any areas you want to make sure are inspected, be sure to identify them upfront.

2. How long have you been practicing in the home inspection profession and how many inspections have you completed?

The inspector should be able to provide his or her history in the profession and perhaps even a few names as referrals. Certified inspectors should be very qualified, and many work with a partner or have access to more experienced inspectors to assist them in the inspection.

3. Are you specifically experienced in residential inspection?

Related experience in construction or engineering is helpful, but is no substitute for training and experience in the unique discipline of home inspection.

4. Do you offer to do repairs or improvements based on the inspection?

Some inspector associations and state regulations allow the inspector to perform repair work on problems uncovered in the inspection. Other associations and regulations strictly forbid this as a conflict of interest (contact your lender).

5. How long will the inspection take?

The average on-site inspection time for a single inspector is two to four hours for a typical single-family house; anything significantly less may not be enough time to perform a thorough inspection. Additional inspectors may be brought in for very large properties and buildings.

6. How much will it cost?

Costs vary dramatically, depending on the region, size and age of the house, scope of services and other factors. A typical range might be \$300-\$500, but consider the value of the home inspection in terms of the investment being made. Cost does not necessarily reflect quality. HUD/Fannie/Freddie/VA/RD do not regulate home inspection fees.

7. What type of inspection report do you provide and how long will it take to receive the report?

Ask to see samples and determine whether or not you can understand the inspector's reporting style and if the time parameters fulfill your needs. Most inspectors provide their full report within 24 hours of the inspection.

8. Will I be able to attend the inspection?

This is a valuable educational opportunity, and an inspector's refusal to allow this should raise a red flag. Never pass up this opportunity to see your prospective home through the eyes of an expert.

9. Do you maintain membership in a professional home inspector association?

There are many state and national associations for home inspectors. Request to see their membership ID, and perform whatever due diligence you deem appropriate.

10. Do you participate in continuing education programs to keep your expertise up to date?

One can never know it all, and the inspector's commitment to continuing education is a good measure of his or her professionalism and service to the consumer. This is especially important in cases where the home is much older or includes unique elements requiring additional or updated training.



Considering Insurance

As a homeowner, there are several types of insurance you will want (or need) to consider:

- **Homeowner's Insurance** protects your home, and the things inside, from various kinds of damage and theft. When you purchase a condominium or townhome, usually the condominium association's master policy includes coverage of the structure of the building, but it will be up to you to provide a separate policy insuring your belongings inside.
- **Private Mortgage Insurance (PMI) or Mortgage Insurance Premium (MIP)** is often required with certain types of loans depending on the loan type and loan-to-value (LTV) (e.g, loans with a high LTV ratio(above 80%), or small down payment). Such a policy guarantees the lender payment of a certain portion of the loan balance in the event of a default and foreclosure. Lenders require you to make monthly payments on this insurance along with your principal and interest payment if they don't hold in escrow for you like they do for taxes and hazard insurance.
- **Mortgage Life Insurance** is an optional policy which protects your family and estate by paying off your loan in the event of your death.
- **Mortgage Disability Insurance** coverage is similar to Mortgage Life Insurance, except that it guarantees to make your loan payments only for the time that you are disabled. If you decide you want either type of coverage, you'll find many lenders offer programs that allow automatic payments along with your monthly loan payment.

Do You Need an Escrow Account?

An escrow account is a convenient account that allows borrowers to accumulate money during the year for annual, home-related expenses, such as property taxes and insurance. Lenders offer this service, and many require an escrow account on certain types of loans and in certain higher risk situations.

When an escrow account is required, you will be making monthly payments toward your taxes and/or insurance as part of your regular monthly mortgage payment. When the amounts are due, the bills will be sent directly to the lender, who will see that they are paid on time.

What Happens at Closing

In the transfer of the property from seller to buyer, a neutral third party may be appointed to see that all terms and conditions of the agreement between the two parties are met. This person is known as the closing agent or attorney.

Many lenders have their own closing department, and it may be to your advantage to request that the closing be handled by your lender.

What the closing agent or attorney does:

- Prepares closing instructions and the Warranty Deed for signature
- Accepts funds and loan closing documents
- Coordinates the flow of documents and funds
- Ensures that the lender's requirements are met
- Figures and collects closing costs
- Makes arrangements for recording the Warranty Deed and Mortgage
- Secures a title insurance policy, as applicable

Processing time may vary, depending on the type of loan and documentation required.



Terms You'll Need to Know

Adjustment Interval - the period of time between changes in your interest rate and/or monthly payment with an adjustable rate loan. These intervals will vary depending on the lending institution and the type of loan you are applying for.

Adjustable Rate Mortgage (ARM) - A loan where the rate of interest is tied to a specific financial index, with both the rate of interest and the monthly payments subject to change at established adjustment intervals. (See also Index, Initial Rate, Interest Rate Cap). (Example, a 5 year ARM has a fixed rate for the first five years of the loan and is then adjusted once every year through the term of the loan to reflect the current economic conditions.)

Amortization - This means by which a home loan is scheduled to be paid off, including principal and interest, by a series of regular installment payments. Loans are typically amortized over the term of the loan.

Application Fee - **A loan application fee, often non-refundable, charged by the lender to cover costs** of processing your application.

Appraisal - A formal, written estimate of the current value of a home.

Annual Percentage Rate (APR) - The cost of your credit expressed as a yearly rate. It takes into account interest, points and loan origination fee. Since all lenders are required to use the same guidelines in determining APR, this is a good basis for comparing the cost of various loan programs.

Assumability - A feature of the loan which permits you to transfer your mortgage and its specified terms to the person(s) purchasing your home. Having an assumable loan could make it easier for you to sell your home, since assumption of a loan usually involves lower fees and/or qualifying standards for the new borrower than a new loan. Assumability on fixed or adjustable rate loans varies from lender to lender and loan type.

Bi-weekly Mortgage - Typically, a fixed rate mortgage on which payments are due and payable every two weeks. Since a total of 26 bi-weekly payments (equivalent to 13 monthly payments) are made annually, loans of this type are paid off more quickly than loans requiring 12 monthly payments per year.

Casualty Loss - A loss from theft, fire, storm, or other similar and unexpected occurrences.

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

Closing Costs - One-time costs that must be paid before the loan can be "closed" or funded by the lender. These costs may include such things as property taxes, insurance, broker's fees, escrow fees, title insurance premium, deed recording fees, title transfer tax, etc. Escrow instructions will stipulate which portion of the fees are to be paid by buyer or seller. A Loan Estimate (LE) of closing costs will be given to you by the lender within a few days after receiving your loan application. (All or a portion of your closing costs may be financed. Ask your lender.)

Closing Disclosure (also known as the Settlement Statement) - Up to four page financial disclosure statement detailing the closing costs of a home purchase for the buyer and seller.

Contingency - A condition that must be met before a contract is legally binding.

Conventional Financing - Home loans made through a lender using VA, FHA, Rural (Development) Guaranteed, Fannie Mae or Freddie Mac

Deed of Trust - The document securing a loan purchase.

Depreciation - A deductible expense for wear and tear of tangible property that has a useful life of more than one year & is used for business or income-producing purposes.

Discount Points and Fees - A point is a charge equal to one percent of the principal amount of the loan. Points are payable at the close of escrow and may be paid by the buyer or seller, or split between them (e.g. two points charged on a \$100,000 loan would equal \$2,000). In addition, a flat dollar amount fee may also be charged. Under some lending programs, a buyer may be allowed to include these points and fees as part of the total amount financed. Points are not allowed with any MHC program.

Down Payment Assistance (DPA) - 2nd mortgage funds given to the borrower at closing to help with downpayment and closing costs. Also, could be in the form of a grant (non-repayed)

Escrow Account - An account for accumulating that portion of a borrower's monthly payments designated for future payment of taxes, insurance fees, assessments, etc. Required by certain lenders or with certain types of financing. Can also be used in conjunction with buydown loans (contact your lender).

Equity - The difference between fair market value and current indebtedness, usually referred to as the owner's interest.

Federal Housing Administration (FHA) - A government agency which insures repayment of a loan to the lender, with the result that the borrower is able to obtain a home loan with a 3.5% down payment and often at a lower rate of interest.

Fixed Rate Loan - A loan where the rate of interest is fixed over the life of the loan. Payments on a fully-amortized, fixed rate will not change.

Index - Used by lenders to calculate the interest adjustments on adjustable rate loans (ARM). Some indexes are more volatile than others; this can affect adjustments in your interest rate and, subsequently, your monthly payment. Because these indexes reflect the general movement of interest rates, they tend to keep the rate on your adjustable rate loan in line with market conditions.

Initial Rate - An interest rate changes for the first six (6) or twelve (12) months of an adjustable rate loan. Normally, this rate will be lower than prevailing fixed market rates.

Interest Rate Cap - A safeguard into an adjustable rate loan to protect the consumer against dramatic increases in the rate of interest and, consequently, in the monthly payment. For example, an adjustable rate loan may have a two percentage point limit per year on the amount of increase or decrease, as well as a five percentage point limit (increase or decrease) over the life of the loan.

Late Charges - Typically five percent (5%) of principal and interest paid after the 15th day of the month.

Liquid Assets - Funds that can be converted to liquid cash in less than 10 days (i.e., checking/savings accounts) by occupants within the household.

Loan Estimate - Lenders are required to give you an estimate of closing costs, loan amount, monthly payments, etc.

Margin (Spread) - An amount expressed as a percentage which is added to an index to determine the interest rate on an adjustable rate loan(e.g. index rate + 2.5% margin). Different lenders and loan programs may use different margins and indexes. With an adjustable rate loan, this margin (spread) generally does not change once it is established in your documents.

Mortgage Credit Certificate (MCC) - The MCC is a forty percent (40%) housing tax credit on your tax liability. This is a dollar for dollar reduction of your federal tax liability, calculated by multiplying the percentage (40%) times the mortgage interest you paid for the year. The remaining sixty percent (60%) of your mortgage interest will continue to qualify as an itemized tax deduction.

Mortgage Insurance Premium (MIP) - FHA required mortgage insurance to protect the lender in the case of buyer default.

Negative Amortization - A situation which may occur on adjustable rate loans which have the "payment cap" feature. (See "Payment Cap") Because your monthly payment is capped, your adjusted payment amount may, at times, be insufficient to pay the actual amount of interest due. The unpaid (deferred) interest would then be added to your balance. This increase in your loan balance is known as "negative amortization". A borrower usually has the option of increasing the monthly payment in any given month to avoid negative amortization or making a lump sum payment to pay off any accrued negative amortization.

Non-Target - Census tracts that are not economically distressed areas determined by the State.

Payment Cap - The limited amount by which the payment on an adjustable rate loan can increase or decrease at each payment adjustment interval (typically one year). A Payment Cap ensures that payment changes occur at a gradual pace. If your adjusted payment isn't sufficient to cover the amount of interest due on the loan, due to the Payment Cap, the unpaid (deferred) interest is added to your loan balance. This is known as "negative amortization". Since most adjustable rate loans have a maximum amount of allowable negative amortization, once this maximum has been reached, the payment will have to be adjusted beyond the Payment Cap to ensure that the loan will be paid off in the allotted number of years. Provisions for these special adjustments will be in the loan documents.

PITI - Refers to "Principal-Interest-Taxes-Insurance." The total of your monthly home loan payment.

PMI (Private Mortgage Insurance) - Insurance coverage for the lender of a certain portion of the loan balance in the event of default and foreclosure. PMI may be required on FannieMae and Freddie Mac conventional loans and will be included as part of your monthly payment.

Prepays - Costs associated with the financing of a mortgage loan that one may be required prior to closing &/or funds to be placed in an escrow account to cover Insurance and Property/County/School taxes.

Prepayment Penalty - An additional fee which may be charged by the lender if the loan is paid off prior to the end of the loan term. Generally associated with fixed rate loans. No penalty applies to MHC's products.

Processing (turnaround) Time - The amount of time required from the day you submit your loan application documents in full to the day the loan closes and loan funds are disbursed. This is the total processing time for your home loan.

Rate Guarantee - A guaranteed rate lock, at the lender's option, that the rate in effect on the date you submit your application, or at the time of final approval, will be the final rate on your loan when funded. This guarantee usually expires after a specified period of time.

Real Property - Physical property that is permanent and nonmovable (ie: land and buildings).

Refinance - Negotiation of a new loan in order to pay off an existing loan. Homes are usually refinanced in order to (a) take advantage of lower interest rates, (b) switch from one loan type to another (e.g. from adjustable to fixed), or (c) to generate cash from built-up equity. Since refinancing generally involves new loan costs, these costs must be weighed against benefits to be gained.

Rural Development (RD) - Insurance coverage for the lender of a certain portion of the loan balance in the event of default and foreclosure called a "Guaranteed Fee" and it's only for RD loans, not Fannie Mae/Freddie Mac, VA or FHA.

Target - Census tracts that are declared by the State as economically distressed areas.

Term - The number of years before your loan is scheduled to be paid off. Fifteen (15) year and thirty (30) year terms are most common.

Title - A legal document evidencing a person's ownership of a property.

Title Insurance - A required policy, usually purchased by the seller of a home, ensuring that title will be held free of any liens other than that obtained by the buyer.

Truth-in-Lending - A federal law that requires lenders to fully disclose, in writing, the final terms and conditions of a mortgage, including the Annual Percentage Rate (APR) and other charges.

Underwriting - Standards used by a lender to determine whether a borrower qualifies for a loan. Underwriting criteria is established by the lender and by agencies such as FHA, VA, Rural Development, FannieMae, and FreddieMac depending on the loan product.

VA Funding Fee - Insurance coverage covering the lender of a certain portion of the loan balance in the event of default or foreclosure. May be required on VA loans depending on the LTV.

Vesting - Name(s) in which title to property is held.

Veterans Administration (VA) - A government agency providing guarantees for a lender on approved loans to qualifying veterans.

Warranty Deed - The legal document conveying title to a property.

Our Mission:

To Enhance Mississippi's long-term economic viability by financing safe, decent, affordable housing and helping working families build wealth.

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