



Church Extension Fund

Michigan District of the Lutheran Church - Missouri Synod
3773 Geddes Rd., Ann Arbor, Michigan 48105-3098

Housing Loan FAQ's (Frequently Asked Questions)

► **How much home can I afford?** Inasmuch as Church Extension Fund does not loan directly to you (the church worker), but rather to the congregation, we are only taking into consideration the **housing** ratio. This figure consists of the projected principal & interest housing payment + property taxes + homeowner's insurance divided by your total household income. This ratio should fall at a level of 28% (or less) in order for a prospective home to be deemed affordable. As lender, the congregation itself may also wish to consider your total **debt-to-income** ratio, which would include the housing figures stated above, as well as any vehicle loans, credit card debt, student loans, etc. It would *not* include utility bills, charity donations, tuition and the like. Typically, the total debt-to-income ratio should not exceed 36%. Lifestyle (leisure items) can play a factor in personally determining what is "affordable".

► **Can I be pre-qualified for a home loan?** Yes. Church Extension Fund does have a Pre-Approval Housing Loan form that can be requested by calling 800-242-3944. This form is usually faxed to the congregation (or printed from our website @ www.mi-cef.org), completed & signed by an officer of the congregation and sent to our office for review. It is common practice today for Real Estate Agents to require that a home buyer be "pre-qualified" before submitting an offer to purchase. *Please remember that pre-qualification is simply an initial determination of how much home you may be able to afford - it is not an actual application for a loan to purchase a particular property.* Please see the bottom of the pre-approval form for a list of additional items needed.

► **Should I have the home I want to buy inspected by a professional inspector?** The answer to this question is a personal choice. Although Church Extension Fund does not currently *require* that your proposed residence be professionally inspected, it is **highly recommended**. Money spent on an inspection can alert you to a number of existing or potential problems that could eventually cost you thousands of dollars (i.e., a furnace that has a cracked heat exchanger emits carbon monoxide into the air and the furnace must be replaced; electrical or plumbing systems that are not up-to-code can be hazardous and costly to update). *An inspection report can provide peace of mind, make you aware of what you may be facing in improvement costs or act as a "bartering tool" with the seller if you are not satisfied with the condition of the home.*

▶ **Do I need a home warranty?** Asking the seller to provide a home warranty (per inclusion in the written Purchase Agreement) or personally buying a home warranty is an individual preference. Such a warranty, which usually costs hundreds of dollars for a one-year period, provides coverage against the malfunction of some major household components. Thought should be given as to the age of the home, overall care & maintenance of the residence and current working order of the main operating systems.

▶ **Does Church Extension Fund offer escrow accounts?** No. You (the church worker) are responsible for the direct (and prompt) payment of property taxes and homeowner's insurance.

▶ **When do I start paying property taxes?** You begin paying property taxes on the actual day you "close" on the property (date of purchase). Typically, the title company will prorate taxes between you & the seller, and these figures will be reflected on the final closing statement. The Purchase Agreement you signed to make your offer on the property contained language about handling the proration of taxes. You should check with your local taxing authority, but there is most likely a Summer tax bill and a Winter tax bill for which you will be responsible every year. **Delinquent taxes jeopardize the mortgage lien on your property** (parcel could be lost at a public tax sale) - *please remain current with your tax payments!!!* CEF has a couple of different investment (savings) accounts wherein you can deposit money monthly and save for the payment of your taxes, and earn interest!

▶ **How do I make sure that I am paying the lowest property taxes possible?** At closing, you will sign a Homeowner's Principal Residence Exemption Affidavit. To qualify for this homestead exemption, the original **PRE** Affidavit must be filed (by you or the closing agent) with the City/Township Assessor where the property is located.

▶ **How do I obtain homeowner's insurance?** You may shop for and obtain homeowner's insurance from any insurance agency you choose. Church Extension Fund (CEF) does require that it [CEF] be listed as First Mortgagee on the insurance policy, with your employer/congregation listed as Second Mortgagee. The insured dwelling coverage must cover the total CEF loan amount *or* the insurance must read guaranteed replacement cost coverage. If you are purchasing an *attached* condominium, the insurance for the dwelling should come from the condominium association and covers only the exterior components of your unit. You purchase coverage for the interior of your unit, as well as personal contents coverage.

► **Who pays the Realtor commission?** The seller is typically responsible for payment of the Realtor commission per a signed listing agreement between these two parties. It is not uncommon, however, for you (as buyer) to be charged an administrative processing fee or similar fee, ranging in the hundreds of dollars, by your designated Buying Agent. Read the language in your Purchase Agreement carefully or ask your Real Estate Agent if such a fee exists for your particular transaction.

► **Who needs to be present at closing?** You, your spouse and the appointed representative(s) of the congregation per the church borrowing resolution authorizing the CEF loan.

► **What should I bring to closing?** Unless otherwise stated by the closing agent (title company), you should bring your drivers license, proof of homeowner's insurance and **certified funds** to close, which will include any closing costs.

► **How will I know how much money to bring to closing?** Our office will contact you as soon as we receive and review the final closing statement (also called "HUD") from the title company. Please wait for this **final** figure before obtaining a cashiers check/certified funds. *Preliminary* figures may not include all applicable fees. The final closing figure is usually not available until the day (afternoon) prior to closing, or the actual morning of the closing date, if an afternoon closing is scheduled.

► **Do I make my monthly payments to Church Extension Fund?** No. Church Extension Fund cannot accept payment directly from you (the church worker). *Personal checks will be returned.* Payment to Church Extension Fund must come from the church. You should establish an arrangement with your employer to make your monthly housing payment (i.e., via payroll deduction or direct payment to the church).

► **How will I get my year-end tax information?** A Form 1098 should be completed by the church and mailed to you by January 31st of each year. Church Extension Fund does print the previous year's interest paid figure **by the congregation to CEF** on its January mortgage bills.

► **What if I am no longer employed by the same congregation?** Typically, your residence would be placed on the market and, when sold, the proceeds would payoff the housing loan (and down payment loan, if any) with the congregation/CEF. If you intend to remain at the residence, you would refinance the home loan with an "outside" lender. *It is possible to "transfer" the home loan to another Michigan District LCMS congregation if you accept a call and do not plan on moving.* Please talk to your employer about some of these options so that a written agreement can be drafted between you and the congregation about length of time allowed to sell a house, or refinance, if employment is terminated.

► **What are the typical closing costs?** As stated above, the Seller typically is responsible for the Realtor commission. The Seller also provides an 'Owner's' Title Insurance Policy, pays for the Transfer Tax and preparation of the Warranty Deed which transfers title from the Seller to the Buyer. You (the Buyer) generally pay for a 'Mortgage' Title Insurance Policy, a survey of the property, and fees to record the Deed and Mortgage documents. CEF does not require an Appraisal of the property and does not charge any other processing fees, "points", etc.