

At Norfolk Homes we understand that buying a home is one of the most exciting - and sometimes overwhelming - experiences you'll ever have. Choosing the plan that best fits your family's needs. Personalizing your home with finishes that reflect your individual lifestyle. Determining the best financing option for your budget. Having all these choices empowers you to create a home that is uniquely yours. It also gives you plenty of decisions to make. Below are answers to the many common questions you may have during the home buying process.

**Q: When are deposits due?** A: An Earnest Money Deposit is due when you sign your Purchase Agreement. This will secure a home at a specific home site and freeze the current price for the home options. It is placed in an Escrow Account (see What is Escrow?) until closing. The Home Options Deposit is due approximately 30 days later, when you confirm your personal selections. The remainder of the purchase price is due when you close and pick up the keys to your new home. A few exceptions may apply so check with your Sales Associate for your neighborhood's program.

**Q: What is Escrow?** A: Escrow is a form of buying a home in which a neutral third party holds the documents and money until the closing activities are completed (Norfolk Homes partners with a Title Company to maintain the escrow deposits). When you place a reservation on the home you wish to purchase, you will open an escrow by making a deposit that is cashed and held in the escrow account. This deposit signifies that you have finalized your house hunting and chosen the home Norfolk Homes will build for you. It also marks your agreement to start the loan approval process with the goal of closing escrow. To close escrow, all of the documents and money are deposited with the escrow agent within the agreed-upon time. The documents are recorded and all parties involved get the documents and money due to them.

**Q: VOE, VOD, P&I, PMI - secret codes or lender lingo?** A: VOE (Verification of Employment): This is a document signed by the borrower's employer verifying your position, salary and dates of employment. VOD (Verification of Deposits): This document is signed by the borrower's financial institution verifying the status and balance of your financial accounts. P&I (Principal and Interest): Your monthly payment is made up of several parts, the largest of which is principal and interest. The principal is the part of the monthly mortgage payment you make that reflects the unpaid amount you borrowed and is reduced with each payment (it's one way to build equity in your home). The interest is the part of the monthly mortgage payment that reflects the fee you are charged for borrowing the money. PMI (Private Mortgage Insurance): This is an insurance policy the borrower buys to protect the lender from non-payment of the loan. (see more detailed description under What is Mortgage Insurance).

**Q: What kind of loan do I take out?** A: Today, loans are as individual as you are. The loans for our homes fall into the category of End Loans. This means that Norfolk Homes actually finances the home during the construction process and you reimburse us with the purchase price at closing. One kind of loan you don't take out is a Construction Loan. With this type of financing, it requires you to take out draws during the construction process to pay as it is constructed. We take care of that for you. Feel free to explore the many flexible loan programs available to cater to your individual situation.

**Q: What is an Adjustable Rate Mortgage?** A: An adjustable rate mortgage - or ARM - is a mortgage in which the interest rate is adjusted periodically based on a pre-selected index. There are several ARM programs available which vary based upon the time period.

**Q: What is a 2/1 Buy down?** A: This option is great for a first-time home buyer or individual who is confident that their income situation will improve over the next few years, but who also wants the best home they can afford today. A 2/1 buy down is a mortgage program that requires a 5 percent down payment. It allows the purchasers to qualify and start making payments based upon an initial rate below the current 30-year fixed rate. The mortgage payments are pre-determined with the initial payment being calculated at a rate which is 2 percent below the final rate. The interest rate will increase 1 percent per year for the next two years and will remain at that final rate for the duration of the 30 year term.

**Q: What is mortgage insurance? (PMI)** A: Private Mortgage Insurance is a policy paid by the borrower that protects lender against some or most of the losses that can occur when a borrower defaults on a mortgage loan. Added to the monthly mortgage payment, this insurance is required primarily for borrowers with a down payment for less than 20 percent of the home's purchase price. Recently there are many programs available that reduce the down payment requirement to 15 percent of the purchase price.

**Q: How do I calculate my new taxes?** A: Most tax bills for new construction are based upon the purchase price of your new home multiplied by the number of "mils" for your area. Your Sales Associate or local Township Hall can share the number of tax mils you will have. The typical formula for calculating annual taxes is: 1/2 of the purchase price of your home multiplied by the number of mils. Example: \$200,000 home with 30 mils tax base. Take 1/2 of \$200,000=\$100,000. Then multiply by .030. The annual taxes for this home would be \$3,000. This is an estimate. Please check with your local tax authority for your actual projected taxes.

**Q: When purchasing a home, what fees are tax deductible?** A: Generally, any pre-paid interest, pro-rated property taxes and loan origination fees (or points) you paid to obtain your mortgage can be deducted that year from your state and federal tax return if you itemize your return. Again, please discuss your individual situation with your tax counselor or financial advisor.

**Q: What are Homeowner Association Dues?** A: Homeowner Association Dues are each purchaser's share of the expenses it takes to maintain the neighborhood. In a full condominium it may include items like complete lawn maintenance and snow removal. In a Site Condominium there may be open (common) areas or playgrounds that enhance the neighborhood. These areas will need to be maintained to protect the value of the entire neighborhood. The Homeowners Association manages the cost for these expenses and divides them amongst the owners. These fees will vary depending upon what is included. They may be due monthly or annually. Please ask your Sales Professional for a copy of the neighborhood budget and an explanation of the included items.

**Q: Are my neighborhood Homeowner Association Dues tax deductible?** A: The monthly or annual homeowner association dues are typically not tax deductible. The expenses that these dues cover usually do not qualify as a deduction with the IRS. Please check with your tax counselor to evaluate your specific situation.

**Q: Home Option pricing, why are they more expensive than the "big box" stores' pricing?** A: We offer the convenience of coordinating the purchasing the selections for your home. Our pricing includes all taxes, delivery fees and installation. We hire the experts to make sure the items are installed correctly and completely, so when you pick up your keys you have one less thing to worry about. When you purchase home options through Norfolk Homes, your items also include a warranty, either through the manufacturer or with us. We commit to the guidelines published by the National Association of Home Builders which are beyond local code requirements.