New Jersey Department of

BANKING AND INSURANCE

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Home Shopping Guide

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A workbook offering tips and information on how to finance, shop for and insure your dream home!



Buying a home can feel overwhelming. This Workbook, a companion to the Guide, "Everything You Wanted to Know About Buying a Home," also published by the New Jersey Department of Banking and Insurance, aims to replace that overwhelmed feeling with a sense of confidence. If you feel empowered to handle the home buying process smoothly after studying the Workbook and the Guide, they will have achieved their goal.

While shopping for a home, we suggest that you keep this Workbook, the Guide and all related papers that you accumulate in a binder. That will help you stay organized during a journey that can potentially be stressful and hectic.

Before sitting down with this literature, pen and calculator in hand, and a new home in your mind, you will need to ask yourself some tough questions. They may shake your romantic notions about homeownership, but are worth asking at the beginning of the process, to avoid later problems.

Keeping your new home is not easy. Aside from the very important steps of reviewing your finances and setting up a budget, there are many other serious considerations. Owning a home can mean doing or paying for a lot of work and meeting a large financial obligation every month. If you are not ready for the responsibility of maintaining a home, homeownership may not be right for you. A steady income and stable employment with the anticipation of remaining in the same geographic location for the next few years should also be key factors in any decision to buy a home.

Despite taking stock of the work involved and thinking about financial hazards to avoid, purchasing a home should be an exciting, even a fun time. The New Jersey Department of Banking and Insurance wishes you all the best in your home shopping experience.

If you need more information about anything contained in this publication, visit the Department's web site, **www.dobi.nj.gov**, or call or write to the Department. Contact information is located on the back cover of this guide.

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Disclaimer

This workbook is for information purposes only, and must not be relied on as a substitute for legal advice.

Step 1: Calculate Your Debt to Income Ratio

One of the first factors a lender may consider when deciding how large a mortgage loan you qualify for is your **debt to income ratio**, or **DTI**. The debt to income ratio is a simple way of showing lenders what percentage of a borrower's income is available for a mortgage payment after all other financial obligations are met.

In a conventional loan, the maximum percentage of monthly gross income a lender typically allows for monthly housing expenses (mortgage, taxes, insurance, etc.) plus recurring debt (credit card payments, car loans, etc.) is around 36 percent. If your debt to income ratio is higher than 36 percent, you may want to consider reducing debt by paying off credit cards or other loans before beginning your search for a home.

Instructions:

1. Add up your Total Monthly Income
2. Add up your Total Monthly Debt
3. Divide Total Monthly Debt by Total Monthly Income

When calculating and relying on your DTI to determine loan affordability, be confident with your numbers and do not be afraid to stick with them as you shop around. Some lenders may allow higher ratios and be willing to loan you amounts that will take you beyond the traditional qualifying ratio and what you can afford. This could lead to more costly monthly payments and might cause financial hardship if you find that your loan is not affordable once you have moved into your new home.

Calculate Your Debt to Income Ratio

1. Monthly Gross Income (Pre-Tax)

	Borrower*	Co-Borrower*
Salary/Wages		
Social Security/Disability		
Pension/Retirement Income		
Dividends/Interest		
Alimony/Child Support		
Rental Property Income		
Unemployment		
Other (part-time job, etc.)		
***Add up each column separately**	Subtotal =	Subtotal =
***Add up Subtotals of Borrower and Co-Borrower (if applicable)**	**Total Monthly Income =**	

2. Monthly Debt

	Borrower*	Co-Borrower*
Credit Cards (Minimum Monthly Payment)		
Car Loans (Minimum Monthly Payment)		
Student Loans		
Installment Loans		
Alimony/Child Support		
Other Monthly Debt		
***Add up each column separately**	Subtotal =	Subtotal =
***Add up Subtotals of Borrower and Co-Borrower (if applicable)**	**Total Monthly Debt =**	

3. Divide Debt by Income

***Take your Total Monthly Debt and divide it by your Total Monthly Income**

This Number as a Percentage equals

Your Debt to Income Ratio =

Mortgage Loan Application Materials Checklist

When getting ready to apply for a mortgage loan, have the following pertinent information for the borrower and co-borrower (if applicable)

- ☐ **Social Security Number/Date of Birth**
- ☐ **Employment history** (recent paycheck, W-2 tax forms, etc.)
- ☐ **List of current assets** (investments, property, bank accounts, etc.)
- ☐ **List of current liabilities** (auto loans, other mortgages, credit card debt, etc.)
- ☐ **Current and previous addresses** (If you own a home – have the property's address, mortgage lender name, current monthly mortgage payment and outstanding mortgage balance; If you're renting – have the property's address, name/address of landlord, current monthly rent, and previous address/landlord if you've lived in current address less than two years)

Step 2: Determine Your Housing Needs

Everyone's idea of a "dream home" may be different, so it is important to formulate a list of the features and benefits you would like in a home before you begin to shop. Consider factors such as price, location, size, amenities and design.

Next, it is important to consider your priorities. If you can't find a home within your price range with all the features you would like, then decide which features are most important to you. Would you trade a dining room for a large, eat-in kitchen? A small backyard for a built-in pool? More space, but a longer commute to work or school?

Instructions:

1. Before shopping for a home, fill in the Housing Needs Checklist
2. Decide which features you can be flexible about and which are requirements for your future home
3. Share your housing needs with your real estate professional to help narrow your search

Housing Needs Checklist

Your Price Range:	**Your Anticipated Down Payment:**
From $_____ to $_____	$_____
Criteria/Features	**How Important is this to You?**
Location – Do you want to live in a city, suburb or rural area? Have you identified a specific city, town or county? _____	Very ___ Somewhat ___ Unimportant ___
Proximity to work and/or school – How far are you willing to commute?	Very ___ Somewhat ___ Unimportant ___
Neighborhood/Local services – Consider: traffic patterns; noise; view; availability of public utilities (water, sewer); availability of public transportation; proximity to schools, shopping centers, places of worship, etc.	Very ___ Somewhat ___ Unimportant ___
Type of home – What type or style of home are you looking for – single-family; multi-family; condominium; town home; split level; multi-story; new; old; etc.?	Very ___ Somewhat ___ Unimportant ___
Condition of home – Move-in ready; needs some work; fixer-upper; etc.?	Very ___ Somewhat ___ Unimportant ___
Number of bedrooms ____	Very ___ Somewhat ___ Unimportant ___
Number of bathrooms ____	Very ___ Somewhat ___ Unimportant ___
Kitchen Area – Consider: size; condition – modern or needs updating; appliances (refrigerator; stove/oven; dishwasher) included; eat-in space?	Very ___ Somewhat ___ Unimportant ___
Other Rooms – What other additional rooms would you like – dining room; living room; family room/den, home office; attic (finished or unfinished); basement (finished or unfinished); laundry; other?	Very ___ Somewhat ___ Unimportant ___
Yard/Landscaping – Consider: Size of yard (small, large); maintenance - cost, time	Very ___ Somewhat ___ Unimportant ___
Parking – Would you like a driveway; garage (attached or detached); on-street parking?	Very ___ Somewhat ___ Unimportant ___
Other Amenities – Would you like a porch; patio; swimming pool; fireplace; other?	Very ___ Somewhat ___ Unimportant ___
Heating/Cooling System – Consider: Fuel type - oil, natural gas, propane gas, electric, or other; central air conditioning or window units; ceiling fans, etc.?	Very ___ Somewhat ___ Unimportant ___
Other Features – What other features would you like in your new home? _____	Very ___ Somewhat ___ Unimportant ___

Step 3: Home Inspection Checklist

When viewing a home for sale, you will generally receive a property listing sheet with pertinent details about the residence. However, you may view so many homes that it can be difficult to remember all the details, such as which house had tan carpeting and which had gray. During your search, take this Home Inspection Checklist with you to keep track of the homes that best fit your needs.

Please note: This checklist is not intended to be a substitute for an inspection conducted by a qualified, independent home inspector. You can consult with your real estate agent for a list of home inspectors. There is a fee for this service.

Instructions:

1. Fill in the Home Inspection Checklist with details about the homes you view (make copies as needed)
2. Compare multiple checklists to help narrow your choices

Home Inspection Checklist

General Information	
Address:	
Property Type:	**Property Age:**
Asking Price:	**Lot Size:** (Square Feet)
School District:	**Property Taxes:**
Seller's Agent/Contact Information:	

Physical Condition – Exterior	**Your Rating**
Walls – Consider: Was the property recently painted? Does the exterior (siding, stucco, brick, shingles, etc.) need updating? Are there any missing, loose or warped pieces?	☐Excellent ☐Good ☐Fair ☐Poor
Roof – Consider: Age of roof? Were there any leaks or recent repairs?	☐Excellent ☐Good ☐Fair ☐Poor
Drains/Gutters – Consider: Are all gutters and downspouts present and firmly attached? Is there visible rust? Is water carried away from foundation of house?	☐Excellent ☐Good ☐Fair ☐Poor
Foundation – Consider: Are there visible cracks and holes? Is foundation even and level?	☐Excellent ☐Good ☐Fair ☐Poor
Landscaping – Consider: Is the property well drained? Hard to maintain?	☐Excellent ☐Good ☐Fair ☐Poor
Garage (Attached or Detached) – Consider: Number of cars? Storage space?	☐Excellent ☐Good ☐Fair ☐Poor
Other Comments/Notes – Consider: Exterior paint color; if applicable, the condition of driveways, decks, patios, porches, etc.	

Physical Condition – Interior	**Your Rating**
As you go from room to room, make note of the general physical condition of the property. If necessary, add additional comments to Features – Interior (page 4).	
Ceilings – Consider: Do ceilings sag? Any evidence of leaks, cracks or stains? Note rooms with problem areas, if any, here _____	☐Excellent ☐Good ☐Fair ☐Poor
Walls – Consider: Are walls solid? Any evidence of cracks, leaks or stains? Note rooms with problem areas, if any, here _____	☐Excellent ☐Good ☐Fair ☐Poor

Step 3: Home Inspection Checklist continued

Physical Condition – Interior (continued)	Your Rating
Flooring – Consider: Are floors level and firm? If applicable, what type of flooring is under carpeting or other floor covering? Note rooms with problem areas, if any, here _____	☐Excellent ☐Good ☐Fair ☐Poor
Plumbing – Consider: Any visible leaks? Check water pressure for all sinks, toilets, etc. Note rooms with problem areas, if any, here _____	☐Excellent ☐Good ☐Fair ☐Poor
Electrical Wiring – Consider: Is there enough power and adequate outlets for your needs? Note rooms with problem areas, if any, here _____	☐Excellent ☐Good ☐Fair ☐Poor
Heating/Cooling System – Consider: Heat source (ducts, baseboard, radiators, etc.); fuel type (oil, natural gas, electric, other); central air conditioning or window units; etc. Note rooms with problem areas, if any, here _____	☐Excellent ☐Good ☐Fair ☐Poor
Windows/Doors – Consider: Are frames level and well joined? Do they open and close properly? Note rooms with problem areas, if any, here _____	☐Excellent ☐Good ☐Fair ☐Poor
Other Comments/Notes – Consider: Is there ample closet/storage space? Any evidence of termites or dry rot? Condition of major appliances remaining with the property?	

Features – Interior
In the spaces below, make note of the condition, color and style of: paint, wallpaper or paneling; window treatments; flooring; built-in furniture; light and ceiling fixtures; appliances, etc. (For example, **Living Room:** *Light blue walls, wooden miniblinds, fireplace, room is small – will our sofa fit?*) (**Note:** Make sure you verify what items are included in the sale and which are not!)
Living Room:
Dining Room:
Kitchen:
Bedroom #1:
Bedroom #2:
Bedroom #3:
Bathroom #1:
Bathroom #2:
Basement (finished or unfinished):
Attic (finished or unfinished):
Additional Room (_____):
Additional Room (_____):
Other Comments/Notes



Don't forget to consider other amenities/factors – Proximity to child care, restaurants, public transportation, shopping, places of worship, library, playgrounds, etc.; commute distance; quality of schools; etc.

Step 4: Get Quotes for Homeowner's Insurance Coverage

Once you have found a home to purchase and are in contract negotiations, your mortgage lender will require you to insure the home before the settlement, or closing. Insurance companies can vary greatly in the price of their policies and in the level of service they provide to consumers. Be a wise consumer and shop around for the product that is best for you.

When contacting insurers, be prepared to give the agent or company the following information:

- Complete address and description of the property (for example – all wood, all brick, brick and stucco);
- The number of stories, rooms and square footage;
- Age of the property;
- Distance from the nearest fire department and fire hydrant;
- Security or protection devices (smoke detector, burglar alarm, etc.;
- The coverage and **limits** you want (limits are the maximum dollar amount the insurer will pay overall or under a particular coverage); and
- The **deductibles** you want (a deductible is the amount of the loss which you (the insured) are responsible for paying before the insurance company pays.

Instructions:

1. Contact three (or more) insurers and fill in the Comparison Worksheet (page 6)
2. Make sure you compare policies with the same level of coverage/deductibles
3. Consider other factors, such as the insurer's financial strength and claims handling, not just price

What coverages are included in a homeowner's insurance policy?

There are four types of coverage contained in the homeowner policy package: Dwelling and Personal Property Damage; Personal Liability; Medical Payments to Others and Additional Living Expenses.

Dwelling and Personal Property Damage Coverage – Helps pay for damage to the structure of your home or other buildings on your property, or for the loss of personal property. This coverage pays the **actual cash value (ACV)** of the item(s) destroyed unless **replacement cost coverage** is purchased. Actual cash value is the amount representing the current value of the item(s) - as is. Replacement cost is the amount it would take to repair or rebuild your home or to repair damages with materials of like kind and quality at today's prices.

This coverage may include options such as:

Off-Premises Coverage – Protects your belongings when they are not on your premises, and replaces lost or stolen items with items of similar age and condition.

Personal Property Floater or Endorsement – A special addition to your policy that provides only limited coverage for single items of high value, such as furs, jewelry, silver, electronics, musical instruments, and other valuables.

Personal Liability Coverage – Protects you against claims and lawsuits that result from damages or accidents occurring on or off your property. If you, a family member or pet causes injury or property damage to others, the personal liability coverage pays for the cost of defending you, and for any damages for which you might be liable, up to the limit of liability stated in the policy.

Medical Payments to Others Coverage – Pays only for medical services to someone outside your household if they are injured at your home regardless of fault. In some circumstances, this coverage will also pay if you cause the injury of another person away from your home.

Additional Living Expenses Coverage – If a covered loss or **peril**, such as a fire, forces you to live elsewhere temporarily this coverage may reimburse you for living costs beyond your normal expenses, such as the reasonable cost of a local hotel/motel or apartment complex, or additional food or laundry expenses.

Step 4: Get Quotes for Homeowner's Insurance Coverage continued

Important Note: ALL homeowner's policies exclude water damage caused by flood. The National Flood Insurance Program provides flood coverage to residents of designated communities. For more information, call 1-888-379-9531 or visit www.floodsmart.gov.

Comparison Worksheet

	Company A	Company B	Company C
Fill in names of…			
Policy would include…			
Dwelling and Personal Property Damage Coverage	Yes/No	Yes/No	Yes/No
With optional Off-Premises Coverage	Yes/No	Yes/No	Yes/No
With optional Personal Property Floater or Endorsement	Yes/No	Yes/No	Yes/No
Personal Liability Coverage	Yes/No	Yes/No	Yes/No
Medical Payments to Others	Yes/No	Yes/No	Yes/No
Additional Living Expenses	Yes/No	Yes/No	Yes/No
Other Coverages (Be sure to ask if other coverages are available!)	Yes/No	Yes/No	Yes/No
Policy would cover damage from the following perils…(Remember, flood is NOT covered -- see above)			
Fire or lightning	Yes/No	Yes/No	Yes/No
Windstorm or hail	Yes/No	Yes/No	Yes/No
Theft	Yes/No	Yes/No	Yes/No
Explosion	Yes/No	Yes/No	Yes/No
Smoke	Yes/No	Yes/No	Yes/No
Damage from vehicles and aircraft	Yes/No	Yes/No	Yes/No
Glass breakage	Yes/No	Yes/No	Yes/No
Vandalism and malicious mischief	Yes/No	Yes/No	Yes/No
Building collapse	Yes/No	Yes/No	Yes/No
Weight of ice, snow or sleet	Yes/No	Yes/No	Yes/No
Removal of debris/property damaged by a covered peril	Yes/No	Yes/No	Yes/No
Sudden and/or accidental freezing, rupture or discharge of water or steam from plumbing, heating or air conditioning	Yes/No	Yes/No	Yes/No
Other (Be specific!)	Yes/No	Yes/No	Yes/No
Policy would offer…			
Actual Cash Value	Yes/No	Yes/No	Yes/No
Replacement Cost	Yes/No	Yes/No	Yes/No
In the event of a covered peril, the amount of the loss you would be responsible for paying…			
Deductible(s)	$	$	$
Discounts Offered:			
Multiple or Companion Policy with Same Company	Yes/No	Yes/No	Yes/No
Longtime Policyholder	Yes/No	Yes/No	Yes/No
Burglar/Fire Alarm, Unmonitored	Yes/No	Yes/No	Yes/No
Burglar/Fire Alarm, Monitored	Yes/No	Yes/No	Yes/No
Nonsmoker	Yes/No	Yes/No	Yes/No
Other (Be sure to ask if other discounts are available!)	Yes/No	Yes/No	Yes/No
Total Annual Premium:	$	$	$

Step 5: Conduct a Home Inventory

Maintaining a list of your personal property can be helpful if you ever experience a loss and need to file a homeowner's insurance claim. It may also help you determine if you have adequate insurance coverage in place for your possessions. Whether you are preparing to move or have just begun to settle into your new home, now is the time to make a detailed inventory list of all of your possessions. Maintaining and updating this list as necessary may help speed up the claims process in the event of a loss and help prove tax-deductible, uninsured losses.

Make special note of property that is unusually valuable – you may need to buy more insurance coverage for these items. Be sure to keep receipts whenever possible and consider documenting items with photographs or video. Arrange to store your documentation somewhere other than at your home – for instance, in a safe deposit box or with a trusted friend. That way, you will not have to worry that a fire or other calamity will destroy your records just when you need them most.

Instructions:

1. Going from room to room in your home, fill in the Home Inventory Worksheet to document your personal property (you may need additional paper)
2. Maintain and update this inventory list on a regular basis or if you make a significant purchase
3. Store your inventory list in a secure place outside the home

Home Inventory Worksheet

Item	Serial Number/ Brand	Purchase Date	Price
Living Room			
Sofa(s)			$
Chair(s)/Loveseat(s)			$
Lamp(s)/Lighting Fixture(s)			$
Bookcase(s)/Books			$
Cabinet(s)/Table(s)			$
Area rug(s)/Carpet(s)			$
Artwork			$
Entertainment Center			$
(Other)			$
(Other)			$

Item	Serial Number/ Brand	Purchase Date	Price
Electronics			
Television(s)			$
VCR(s)/DVD player(s)			$
Stereo(s)/radio(s)			$
VCR/DVD/CD collections			$
Computer(s)			$
Printer(s)/Scanner(s)			$
Camera(s)/Videocamera(s)			$
Video game system/games			$
(Other)			$
(Other)			$

Kitchen			
Refrigerator/Freezer			$
Oven/Stove			$
Microwave			$
Dishwasher/Disposal			$
Small appliances			$
Pots/pans			$
Plates/Glassware			$
Utensils			$
Tables/Chairs			$
(Other)			$

Dining Room			
Table/Chairs			$
Cabinet(s)/Buffet(s)			$
China			$
Crystal/Glassware			$
Silverware			$
Table linens			$
Chandelier/Lamp(s)			$
(Other)			$
(Other)			$
(Other)			$

Step 5: Conduct a Home Inventory continued

Item	Serial Number/ Brand	Purchase Date	Price
Bedroom 1			
Bed			$
Linens			$
Chest(s)/Dresser(s)			$
Nightstand(s)/Desk			$
Lamp(s)/Lighting Fixture(s)			$
Curtains/Draperies			$
Mirror(s)			$
Clock			$
Area rug(s)/carpets			$
Clothing/shoes			$
(Other)			$
(Other)			$
(Other)			$

Item	Serial Number/ Brand	Purchase Date	Price
Bedroom 2			
Bed			$
Linens			$
Chest(s)/Dresser(s)			$
Nightstand(s)/Desk			$
Lamp(s)/Lighting Fixture(s)			$
Curtains/Draperies			$
Mirror(s)			$
Clock			$
Area rug(s)/carpets			$
Clothing/shoes			$
(Other)			$
(Other)			$
(Other)			$

Item	Serial Number/ Brand	Purchase Date	Price
Bathroom(s) (Be sure to check each bathroom!)			
Towels/Linens			$
Mirror(s)			$
Curtains/Draperies			$
Electric toothbrush			$
Hair dryer/curler			$
Electric razor			$
(Other)			$
(Other)			$

Item	Serial Number/ Brand	Purchase Date	Price
Garage/Storage Unit			
Lawn mower			$
Hoses/sprinkler			$
Power tools			$
Hand/garden tools			$
Workbench			$
Ladder			$
Patio furniture			$
Grill			$
Sports/Exercise equipment			$
Seasonal decorations			$
Snow removal equipment			$
(Other)			$
(Other)			$

Item	Serial Number/ Brand	Purchase Date	Price
Miscellaneous			
Furs*			$
Jewelry*			$
Antiques*			$
Artwork*			$
Musical instruments*			$
Toys			$
Vacuum cleaner			$
(Other)			$
(Other)			$
(Other)			$
(Other)			$
(Other)			$
(Other)			$
(Other)			$
(Other)			$
(Other)			$
(Other)			$
(Other)			$

*Some valuable items may need to be insured with a special addition to your policy, known as a **personal property floater** or **endorsement**. Check with your insurer to make sure you are adequately covered.



Notes

For More Information

Have a question related to real estate, mortgages, or insurance? Contact the Department's Consumer Inquiry and Response Center

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New Jersey Department of Banking and Insurance - Consumer Inquiry and Response Center
P.O. Box 471
Trenton, NJ 08625-0471

(609) 292-7272 or **1-800-446-7467**

File a complaint online:
www.dobi.nj.gov/consumer.htm

Visit the Department online at

www.dobi.nj.gov

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