

# Home Buyer Education

*Session Three*

*March 23, 2022*



*Instructor: Anne Kuszpa, Executive Director*

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# Recap



## Course Will Include

- I. Introduction
- II. Budgeting and Credit
- III. Obtaining Mortgages
- IV. Housing Search Process
- V. Legal Issues
- VI. Appraisals
- VII. Home Inspection
- VIII. Insurance
- IX. Successful Homeownership



# Session III Guest Speaker- Home Inspection



- Marc Gazaille, Nantucket Home Inspection



# Home Inspection

- **How to Find a Good Home Inspector**
  - Referrals from friends
  - Call ASHI (1-800-743-ASHI)
  - Ask about training and experience
  - Ask for and check references
  - Look in the Yellow Pages
  - Don't ask seller's agent



# Home Inspection

- What a Home Inspection Includes
  - An evaluation of the structural and mechanical condition of the property
  - Go with the home inspector
  - Verify access
  - Evaluate structure, mechanicals, septic, ventilation, insulation,, etc.



# Home Inspection

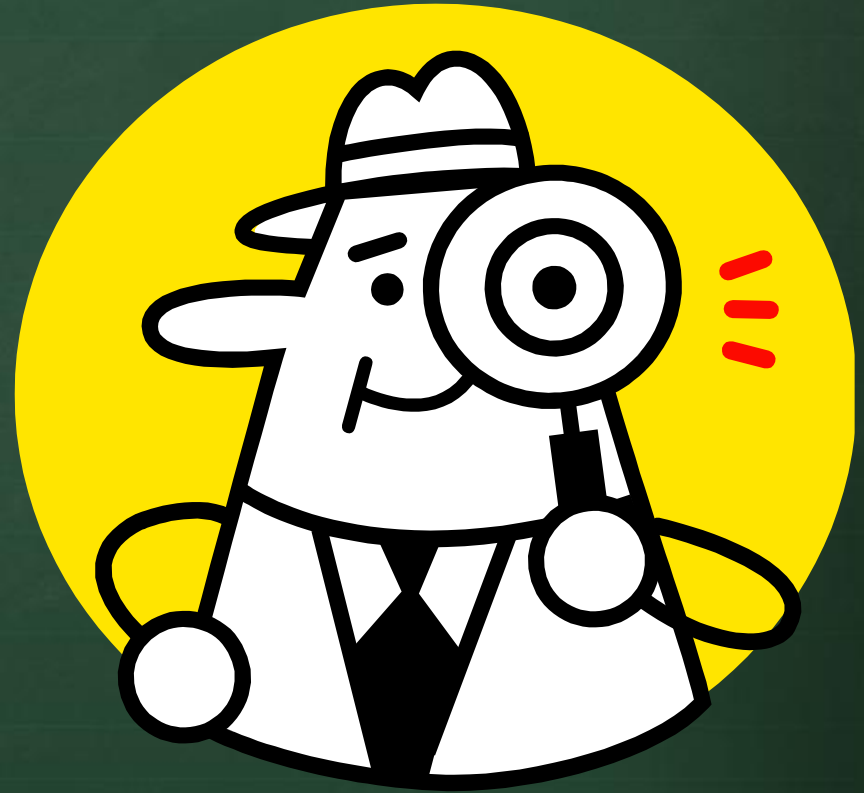
- **Inspection Report Can be used to:**
  - Identify problems before purchase
  - Get out of a purchase agreement
  - Help negotiate an adjustment in purchase price
  - Have repairs done before closing
  - Increase confidence in going ahead with the purchase
  - Provide information for future budgeting
  - Will NOT provide recommendations about whether or not to purchase house
  - Will NOT provide recommendation about purchase price

*Keep a copy of the inspection report!*



# Home Inspection

- Other Inspections
  - Water Quality
  - Termites
  - Radon
  - Lead paint
  - Asbestos
  - Title V



# Session III Guest Speaker- Insurance

- Vin DeBaggis, Rogers|Gray





# Insurance

- Why Do I Need Homeowner's Insurance?
  - Your home is a valuable asset
  - Insurance protects your investment
  - Provides peace of mind
  - Lenders will require it



# Insurance

- Insurance is available through:
  - Independent insurance agents
  - Direct insurance agents
  - Massachusetts Fair Plan
  - Surplus Lines
    - For those unable to purchase through regular markets



# Insurance

## ■ Terms You Should Know

- Section I Coverage:
  - Property protection coverage
- Section II Coverage:
  - Liability protection coverage
- Replacement cost vs. Market value
  - Don't be underinsured.
  - Insure your home for the full cost necessary to rebuild your home.
- Actual cash value



# Insurance

- Shopping for Insurance
  - Shop around
  - Ask about discounts:
    - Higher deductible credits
    - Smoke detectors & alarm systems
    - New home
    - Green homes
    - "Bundling" auto and homeowner policies
  - Other Insurance:
    - PMI, Life, Flood, Umbrella, Disability



# Insurance

- Purchasing insurance

- Contact your insurance agent at least 2 weeks prior to closing
- Your agent will complete an application. You will need to know:
  - Year built & square footage
  - Occupancy - owner or tenant
  - Plumbing, electrical, roof, and heating updates
  - Will there be any renovations to the home
  - Mortgagee clause & closing date



# Insurance

- Lead Paint and Flat Roofs
  - Insurance companies might not insure multi-family buildings with lead paint
  - Lead paint liability coverage is excluded - may be able to buy back coverage for lead paint exposure
  - Wind, water, snow may be problems for flat roofs
- Nantucket's coastal location limits available insurance markets.
  - Fair Plan and Surplus Lines are often the only options
  - Check with insurance agent



## Declaration Page

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**POLICY NUMBER:** BHO-12345

**RENEWAL OF POLICY:** N/A

**NAMED INSURED/MAILING ADDRESS**

Jenny Jones  
456 Any Street  
Nantucket, MA 02554

**AGENCY INFORMATION**

Island Insurance Agency, LLC  
P.O. Box 2862  
Nantucket, MA 02554  
508-221-1584

**RESIDENCE PREMISES**

789 East North East Street  
Nantucket, MA 02554

**LOCATION NUMBER:** 1

**POLICY PERIOD EFFECTIVE FROM:** August 09, 2017 **TO** **EXPIRATION DATE:** August 09, 2018  
BOTH DAYS AT 12:01 AM STANDARD TIME AT THE LOCATION OF THE RESIDENCE PREMISES

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**This insurance is effected with Certain Underwriters at Lloyds, London.**

**AUTHORITY REFERENCE:** B123456 BUA02554

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**POLICY FORM:** HO-3

**CONSTRUCTION:** Frame

**PROTECTION CLASS:** 4

**YEAR BUILT:** 1865

**Minimum Earned Premium:** \$ 1,034.50

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**COVERAGE LIMITS**



**COVERAGE LIMITS**

Coverage A: Dwelling	\$ 1,200,000
Coverage B: Other Structures	\$ 25,000
Coverage C: Personal Property	\$ 250,000
Coverage D: Loss of Use	\$ 100,000

Coverage E: Personal Liability	\$ 500,000
Coverage F: Medical Payments	\$ 5,000

<b>Premium:</b>	\$ 4,138.00
<b>Surplus Lines Tax:</b>	\$ 165.52
<b>Policy Fee:</b>	\$ 25.00
<b>Inspection Fee:</b>	\$ 60.00
<b>Total Premium:</b>	\$ 4,388.52

**OTHER COVERAGES & ENDORSEMENTS – SEE ATTACHED LIST OF FORMS AND ENDORSEMENTS**

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**DEDUCTIBLES**

Wind and Hail Deductible:	5%
All Other Perils Deductible:	\$ 5,000

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**NOTIFICATION OF CLAIMS: REFER TO CLAIMS REPORTING FORM****SERVICE OF SUIT NOMINEE:** Mendes and Mount, 750 Seventh Avenue, New York, NY 10019-6829

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BUTTINE UNDERWRITERS AGENCY

A handwritten signature in blue ink, appearing to be 'R. Mendes', is written over a horizontal line.

Authorized Representative



## What to Expect:

- Prior to closing
- Escrow
- Inspection



Questions

?

Vin DeBaggis

Rogers|Gray

[Vin.Debaggis@rogersgray.com](mailto:Vin.Debaggis@rogersgray.com)





*Nantucket Housing Needs  
Covenant Program*



## Covenant Program - Basics

The NHNC Program allows a property owner having more than one residential dwelling on a lot to put a Nantucket Housing Needs Covenant on the premises, allowing for separate ownership of the two dwellings.

One of the dwellings become the Nantucket Housing Needs Covenant Unit, a unit affordable to moderate income islanders, subject to a price formula, a residency requirement and an occupancy requirement.

Two types of covenants: condominium and secondary lot

# Qualified Purchaser

- Year Round Resident (current or intent)
- Household Gross Income < 150% of HUD Median Family Income for Nantucket (< \$175,050)
- Does not own Nantucket real property that may be occupied lawfully as a residence
- Less than \$444,257 in unrestricted assets

# If You Would Like to Purchase

- Get application materials from Housing Nantucket
- Fill out application, have interview with Housing Office
- Housing Office has 30 days from receipt of complete application materials to accept and issue a Qualified Purchaser's Certificate (cert. valid for year from issue)

# Covenant Restrictions

- Transaction must be below Maximum Sales Price
  - \$888,515 in 2021
- Ownership restrictions apply to the NHNC Unit:
  - NHNC Unit Owner will reside in NHNC Unit 10 of 12 Months
  - NHNC Unit Owner will not rent NHNC Unit as a whole
  - No ongoing income/asset verification

# Other Considerations





# Local affordable developments

- Habitat for Humanity
- Richmond Great Point Development Company
- Surfside Crossing
- 40B developments- resales
  - Sachem's Path
  - Beach Plum Village
  - Abrem Quarry

# Other Considerations

- Multi-family ownership
  - Being a landlord
- Owning a condo
  - Different rules/regulations



# Other Considerations



- Multi-Family Ownership
  - Landlord = property manager
  - Advantages & disadvantages
  - Levels of responsibility multiplied
  - Substantial maintenance costs
  - Legal and insurance
  - Just like a business



# Other Considerations

- Multi-family Ownership
  - Keep good records
  - Keep receipts
  - Retain services of tax preparer
  - Know the codes & laws
  - Be professional
  - Take action to avoid problems



# Other Considerations



- Multi-family Ownership
- Lease types
  - Fixed
  - At-will
  - At-sufferance
- Tenant selection
- Security deposits
- Termination



# Other Considerations

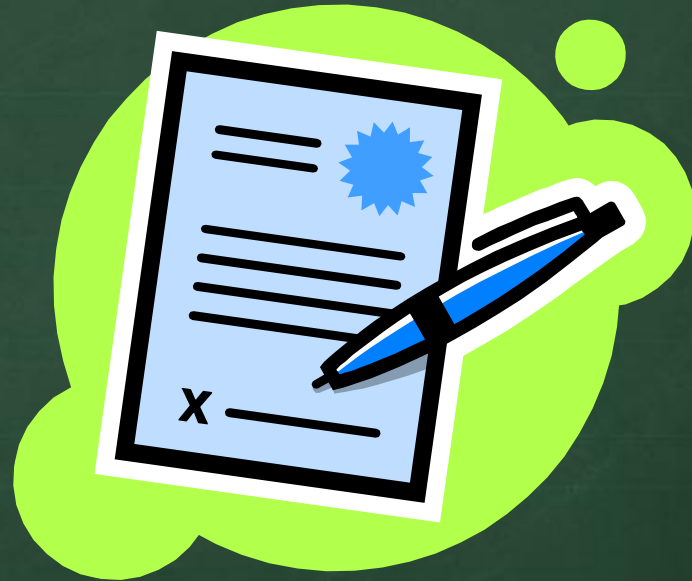
## ■ Condo Ownership

- Each unit is part of larger condo association
- no ownership of home and land, just portions
- Know the rules and regulations
- Understand management and association make up
- Condo fees



# Other Considerations

- Condo docs
  - Master Deed
  - Declaration of Trust
  - By Laws
  - 6(d) Certificate
  - Minutes and Budget
  - Insurance Policies



# Successful Homeownership





# Successful Homeownership

- Responsibilities of homeownership
  - Hard work
  - Financial investment
  - Protect asset through budgeting
  - Avoid crisis



# Successful Homeownership



- Financial responsibilities
- Budget, budget, budget
  - Budgets are strategies
  - Budgets keep track
  - Budgets increase savings
  - Budgets help organize life!



# Successful Homeownership

- Financial responsibilities/budget
  - Homeownership changes your budget
  - Pay on time (credit scores)
  - Understand the terms of mortgage
  - Be ready for ARM payments
  - Be prepared for penalties
  - Send them on time/to the right place



# Successful Homeownership

- Budget/Home Maintenance
  - Budget for repairs (1% of price)
  - Keep to a savings plan (5% of pay)
  - Keep an emergency fund on hand
  - Plan ahead for big purchases
  - Don't charge things - don't let them strain the budget



# Successful Homeownership

- Budget & expenses
  - Property taxes
  - Homeowner's insurance
  - Water/sewer bills
  - Private Mortgage Insurance
  - Utility bills



# Successful Homeownership

- Home Maintenance/Repair
  - Periodic inspections
  - Establish a schedule
  - Plan for repairs
  - **AVOID SCAMS!**
  - Create lists of "to do's" and do them



# Successful Homeownership

## ■ Home Safety

- Emergency numbers
- Smoke/carbon monoxide/dioxide detectors
- Fire extinguishers
- Fire prevention routes
- Theft protection (safety deposit box/fireproof)
- Child safety protection
- Lead based paints



# Successful Homeownership

- Make sure your insurance coverage is up to date (flood, life, title, rent loss, etc.)
- Keep good records!
  - Save all papers with information
  - Keep accurate records for improvements/interest payments for tax purposes
  - Save receipts and cancelled checks
  - Moving expenses can be deducted
  - Property tax and rental property deductions
  - Filing Systems
  - Keep the books balanced





# Successful Homeownership



## ■ Refinancing

- Your first priority is to protect the investment you have in your home
- Changing of rates/terms/method
- May allow for pay off of credit
- Beware of predatory lending
- Home equity loans
- Don't just do it to pay off unsecured debt or car loans
- Examine the terms, rates, and programs

# Successful Homeownership

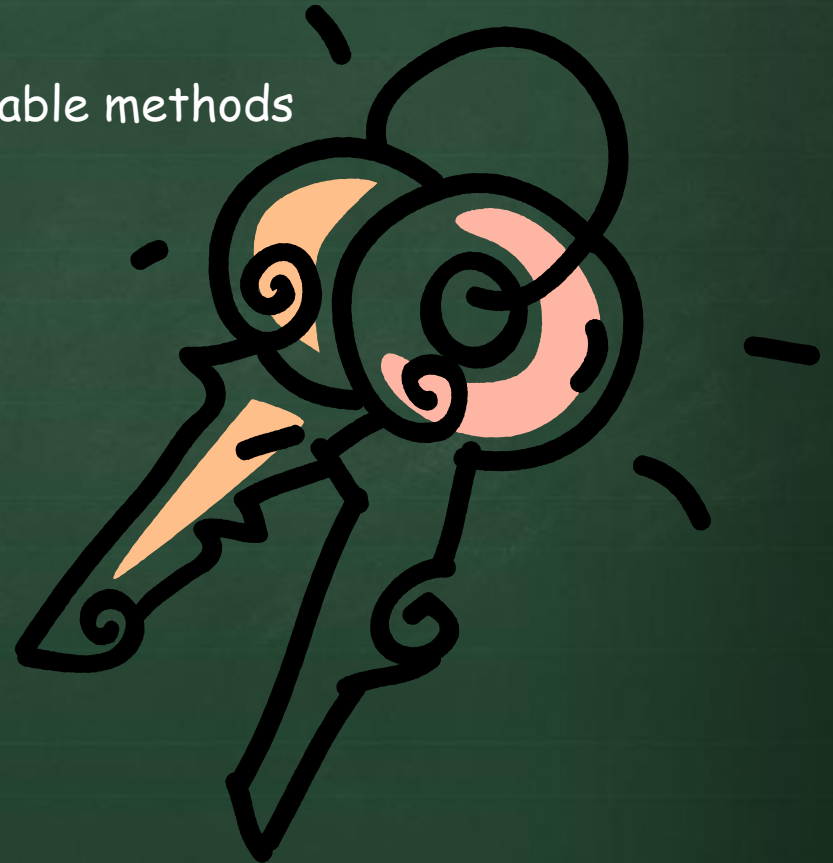
## ■ Foreclosure

- Subprime mortgage crisis 2007-2010
- Your most important monthly obligation is your mortgage
- Pay on time, keep head above water
- Watch out for warning signs
- Examine exit strategies



# Successful Homeownership

- Foreclosure Prevention
  - Keep records together, pay in recordable methods
  - Keep your high priority bills paid
  - Figure out where your money is going
  - Increase your income
  - Reduce your expenses
- COMMUNICATION is KEY!



# Successful Homeownership

- If you are headed for foreclosure
  - Talk to a legal professional
  - Consider other solutions
  - Foreclosures can move quickly
  - Foreclosures are public events
  - Look for help - don't panic
    - Local/regional housing organization
    - Church, family, friends
    - Mortgage lender
    - Housing and Urban Development



# Energy Efficiency

- Energy Conservation Behaviors
  - Turning off and unplugging electronics and lights
  - Run thermostat low winter, high summer
  - Minimize hot water use
  - Natural ventilation /fans
  - Operating blinds/shades/drapes



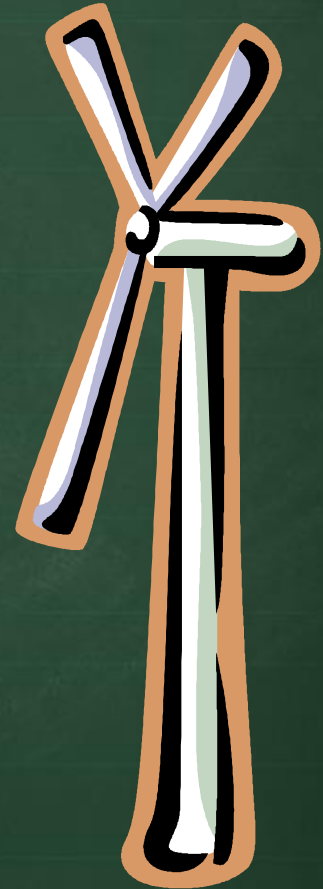
# Energy Efficiency

- Existing Physical Qualities of Home
  - Factor in decision to buy
  - Energy Efficiency Mortgages(EEM's)
  - Inspections
  - Audits
  - Utility documentation
  - Home Labels(EnergySTAR)



# Energy Efficiency

- Updating a home
  - Financial
    - Purchase price versus operating cost
    - Energy Improvement Mortgages(EIM's)
    - Governmental incentives/rebates
  - Kinds of Improvements
    - Programmable thermostat
    - Energy efficient appliances, heaters, and coolers
    - Florescent bulbs
    - Low flow faucets
    - Weatherization/insulation
    - Renewable/clean energy



# Third Session Wrap-up

- Questions & Concerns?
- Contact Housing Nantucket at:
  - 508-228-4422 or
  - [housingnantucket@gmail.com](mailto:housingnantucket@gmail.com)
  - [www.housingnantucket.org](http://www.housingnantucket.org)

