

The **INSTITUTE** for

Public Policy & Economic Development
at Wilkes University

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HOME BUYER HANDBOOK



5/12/2016

Housing Task Force

This is informational guidebook potential first-time homebuyers. This handbook also provides information about the benefits of homeownership, its affordability, and programs to assist first-time homebuyers in Northeastern Pennsylvania.

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Study prepared by: The Institute for Public Policy & Economic Development

Executive Director – Teri Ooms

Research Analyst – Andrew Chew

Research Assistant – Nimita Patel

Student Interns – Abdullah Alrabiah (Marywood University), Terria Pettus (King's College), Matthew Salzarulo (University of Scranton)

The Institute's Housing Task Force Members

- Charlie Kasko, Fixed Operations Director, Wyoming Valley Motors - Chair
- Jodi Baden, Lackawanna Neighbors
- Joe Boylan, Greater Wilkes-Barre Chamber of Business & Industry
- Jesse Ergott, Executive Director, NeighborWorks Northeastern Pennsylvania
- Steven Farrell, Owner, Classic Properties
- Patricia Moroz, US, Housing & Urban Development
- Joe Terrana, Terrana Law PC
- Ellen Watkins, National Penn Bank

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HOUSING TASK FORCE

INTRODUCTION

This is informational guidebook potential first-time homebuyers. This document is especially helpful for prospective homeowners who desire more information about the process of buying one's first home or information regarding whether homeownership is recommended. This handbook also provides information about the benefits of homeownership, its affordability, and programs to assist first-time homebuyers in Northeastern Pennsylvania.

BENEFITS OF HOMEOWNERSHIP

A key question that prospective homeowners must answer is whether owning a home is the right option. There are a few factors that will determine whether or not buying a home is the right choice. There are many benefits of homeownership:

- It can be a safe investment. Historically, house values have grown at a rate on par with or slightly faster than inflation.¹ This means that the value of one's home is likely to increase over time.
- Unlike paying rent, making mortgage payments on a home builds its equity. Mortgages provide a return beyond the ability to live in a home. Home equity is the difference between a home's value and the mortgage amount owed. Upon making payments on a mortgage, the respective home's equity generally increases, though a decrease in the home's value can negate some of this equity.
- Interest that is paid on a mortgage is generally tax-deductible which means that homeowners can deduct the interest paid on a primary home mortgage from the amount of earnings that are taxed.
- One has more control in owning a house than with rental properties. Unlike renting, owning a home provides more freedom for customization. In renting home, landlords typically set the terms of the rental agreement, including certain rules and restrictions. Landlords are also able to sell their property or not reinstate the lease once it expires.

OPTIMAL RENT OR BUY DECISION-MAKING

As explained above, there are many benefits of homeownership. However, owning a home is not right for everyone. The first factor to consider is cost. Depending on the location, a monthly mortgage payment can be lower than a monthly rent payment. However, there are other factors at play. With rentals, the landlord is likely responsible for taxes and insurance, and may also cover some or all utilities such as sewer service, garbage, water, heat, electricity or natural gas, cable or satellite television, and internet. These payments will also need to budget a certain amount for regular maintenance of the home.

This worksheet below can be used to generate a proper, all-inclusive comparison. By utilizing figures that are realistic given the type of home one currently resides in, the type of home one intends to buy, and current expenditures, an accurate deduction can be drawn. Once this is completed, totaling all the expenses and comparing will provide a better understanding of how homeownership can impact a monthly budget.

| Rental Costs | Homeownership Costs |
|---|--|
| Monthly Cost | Monthly Cost |
| Rent | Mortgage (Principal + Interest) |
| Renters Insurance | Property Taxes |
| | Homeowners Insurance |
| Utilities Not Paid by Landlord (Such as water, sewer, garbage, electricity, natural gas, phone, etc.) | Utilities (Such as water, sewer, garbage, electricity, natural gas, phone, etc.) |
| | Monthly Maintenance/Repairs |
| Total Monthly Cost | Total Monthly Cost |

The purpose of this calculation is not to choose whichever option has a lower cost. Even if the total costs of homeownership is higher per month than the cost of renting, one may find that the difference is smaller than previously expected, and worth the many benefits outlined above. Ultimately, it is ideal if all of the total monthly costs are less than 30 to 36 percent of a household's pre-tax income.

Another financial consideration is the importance and necessity of cash reserves. Unlike most renters, homeowners are responsible for any repairs that the home needs, whether they are large or small. Because of this, homeowners must be prepared with an emergency fund in order to handle any emergencies that might arise.

In addition, mortgage payments are another important factor to consider when deciding whether to purchase a home. Typically, mortgage payments start with the interest. The initial loan amount (called the principal) is a relatively small part of the monthly payment. As loans are repaid, the amount of interest decreases and the amount that is applied to the principal balance increases. Because of this, for the first few years of owning a home, homeowners pay little of their principal. There are also very high fixed costs associated with buying and selling a home. If the length of stay in a home is expected to be five years or less, it is often more beneficial to delay purchasing a home due to these large costs.



If there is doubt after considering these factors, there are other appealing options to consider such as a rent-to-own arrangement. This allows individuals to rent a home for a predetermined time period. Once this period has elapsed, the renters will have the option to purchase the home. For financial protection, it is recommended that the terms of a rent-to-own agreement are discussed with an attorney prior to entering into an agreement. These arrangements can be useful for those who would prefer to own a home, but need to build credit

or save for a down payment.²

AFFORDABILITY

As outlined above, a good rule to follow is to spend no more than 30 to 36 percent of pre-tax income on housing. For a family that makes \$50,000 per year, 30 percent calculates to a housing budget of \$1,250 per month. Ideally, this should include all housing-related expenses including taxes, insurance, and utilities. There are many services online that can help translate a monthly housing budget into a home price, such as bankrate.com and zillow.com

However, every household is different. If a household has significant debt in the form of medical bills, credit card debt, or excessive student loans, it may be best to aim to spend even less than 30 percent of income on housing costs.

For prospective home buyers, it is recommended to start saving as early as possible and provide a large down payment. In order to minimize costs in the long run, a down payment of 20 percent of the purchase price is best. Buying a home with less than 20 percent down may result in higher mortgage interest rates as well as the need to purchase mortgage insurance. Mortgage insurance is a payment made every month for insurance that will reimburse a mortgage lender if the owner defaults on a loan. Insurance rates vary based on the size of the down payment and one's credit score – typically from 0.3 percent to 1.5 percent of the original loan amount per year. Once the outstanding loan balance is less than 78 percent of the home's original value, paying mortgage insurance can transition to being optional – this usually occurs within a few years.³

For potential homeowners having trouble providing a sizeable down payment, there are assistance programs aimed at first time homebuyers that can provide help. Information about selected programs is provided later in this guide.

Before making the final decision on whether or not to buy a home, one must determine whether home purchase price is realistic for the geographic location. If it is not affordable, it is recommended to consider other neighborhoods that can still provide a home that meets one's needs at a more affordable price.

The tables below show the median home value for all homes within each school district in Lackawanna and Luzerne Counties. As the differences in median value show, moving a home search just a few miles can yield a huge difference in price. It is important to remember, however, that these prices are just midpoints, and that within school districts and even within neighborhoods, there can be a tremendous range of home prices. To afford a home in a desired community, one may need to make compromises in other areas such as looking at smaller homes or homes with fewer amenities.

| Home Values by School District: Luzerne County (2014) | |
|--|--------------------------|
| School District | Median Home Value |
| Crestwood | \$176,900 |
| Dallas | \$168,200 |
| Greater Nanticoke | \$86,500 |
| Hanover Area | \$85,600 |
| Hazleton Area | \$119,400 |
| Lake-Lehman | \$179,700 |
| Northwest Area | \$144,500 |
| Pittston Area | \$114,100 |
| Wilkes-Barre Area | \$90,200 |
| Wyoming Area | \$130,900 |
| Wyoming Valley West | \$112,100 |

FIRST-TIME HOME BUYERS

The following process represents a simplified set of steps that many first-time homebuyers go through. After deciding that buying a home is right choice, doing research, and saving for a down payment, the home buying process is launched by beginning the process can begin the process by getting pre-approved for a mortgage.

The next step is to find a real estate agent. Listings in an area are available on www.realtor.com. Working with a real estate agent can ease the stress associated with buying a first home as well as save money by helping in negotiations. Other services that can be provided by a real estate agent include sharing expertise on market conditions and the home buying process, handling of paperwork and negotiations, scheduling appointments, and dealing with any problems that arise in the closing process.

Types of Housing

- Single family home
- Condominium
- Townhouse
- Double home

Next, formulate a checklist of needs and wants. It is important to be realistic given the area in which one is conducting the search as well as being mindful of one's budget. Think about the size of the house and yard, number of bedrooms and bathrooms, and any other home amenities desired.

Determining the type of house desired is also important. Also be sure to consider location factors such as commute to work, schools, property tax rates, safety, amenities, and recreation. Decide which of these factors are most important and use that as the basis for a checklist. As one formulates the list, be sure

to think about needs now and needs in the future. Begin seeking and seeing properties with an agent.

Once a house is selected that meets all affordability and amenity requirements, an offer can be made with the assistance of an agent to ensure that the offer reflects the market value of the house. This step can take time considering rejections and counteroffers. Once the offer is accepted, it is crucial to follow through with a home inspection and a title search. A home inspection is important to identify any repairs that need to be made on the house, including which repairs are urgent and which can wait. Home inspections typically cover the foundation, walls, ceilings and floors, roof, plumbing, HVAC, electrical, insulation, and appliances. If any problems arise, the terms should be discussed again. Following an inspection, obtaining homeowners insurance is as important as applying for a mortgage.

ASSISTANCE PROGRAMS FOR FIRST TIME HOMEBUYERS

Pennsylvania Housing Finance Agency (PHFA)

PHFA is a non-profit organization that aids the people of the Commonwealth in the home buying process by providing housing resources and information on activities such as:

- Home purchase loans
- Credit counseling & homebuyer education
- Refinancing
- Financing for septic system issues, renovations & improvements
- Assistance for residents dealing with foreclosure

- Assistance for renters
- Down payment & closing cost assistance

Keystone Home Loan: The Keystone Home Loan is a 30-year fixed PHFA home loan. This program is available to first time homebuyers, discharged veterans, or those aiming to buy within one of several targeted counties. Participants must fall within income limits (available on PHFA's website) and be capable of making monthly mortgage payments and paying application fees and closing costs. The purchase price of the home must also fall within designated limits, and the buyer must be able to make a down payment of at least 3.5 percent for FHA loans or at least 20 percent for a conventional loan without mortgage insurance.

Keystone Government Loan Program (KGov): the Keystone Government Loan program provides financing on loans covered by the Federal Housing Administration (FHA), Rural Development (RD), or the Department of Veteran Affairs (VA). Also, one must meet the standards of the government agency issuing the guarantee. There are no additional requirements from the PHFA.

Purchase Improvement: the Purchase Improvement loan is a loan that allows an individual to borrow money (up to \$15,000) to renovate or fix a home at the time of purchase, along with the conventional mortgage loan from PHFA. This diminishes the need to take out another loan at a higher interest rate. An appraisal must substantiate the cost of the fixes.

The purchase price of the home and the repairs must remain under the purchase price limits. Some repairs not included are: saunas, hot tubs, swimming pools, and tennis courts. Moreover, all repairs must be done by a licensed professional. Inspection fees may be included in the repair costs.

The borrower must submit a detailed written appeal that outlines the repairs—estimates, specs, and contracts—from the licensed professional performing the work, as well as the Purchase/Improvement Acknowledge form.

BENEFITS OF PHFA LOAN:

- PHFA will not sell the loan to other lenders
- Competitive interest rates and lower fees
- Can be combined with FHA, VA, and RD loans
- Down payment & closing cost assistance to those who qualify
- 30 year fixed rate loan terms

PHFA offers several different loan and assistance programs. The program that is best for a buyer will depend on their specific circumstances and preferences.

HOMEstead Program: the HOMEstead Program is a down payment and closing cost assistance program that extends additional funds (up to \$10,000) in the form of a second mortgage loan. The funds incur no interest and are forgiven at 20 percent per year over a five year span for all loans after January 1, 2007. Borrowers must meet the minimum down payment requirements issued by the agency guaranteeing the loan. In order to apply, homebuyers must meet specific program income limits and home program acquisition cost limits, which vary by county.

Keystone Advantage Assistance Loan: the Keystone Advantage Assistance Loan program offers funds to qualified borrowers to help with the costs associated with buying a home. Borrowers can take out up to four percent of the market value or \$6,000, whichever is less, to help cover down payment and closing

costs. This loan will be paid back monthly over a ten year span at a zero percent interest rate.

Eligibility Requirements:

- Minimum credit score of 660
- Assistance may only be used for minimum down payment & closing costs
- Borrowers liquid assets may not exceed \$50,000 (after subtracting necessary funds for the loan)
- Cannot be combined with other PHFA assistance programs
- May be combined with Conventional, FHA, VA or RD loans.

Mortgage Tax Credit (MCC): the Mortgage Credit Certificate enables buyers to receive a tax credit of 50 percent for the interest paid on the mortgage each year (maximum \$2,000). This program can be combined with the Keystone Government loan, the HFA Risk Sharing loan, the HFA Preferred loan and the Keystone Advantage Assistance. Eligible borrowers: are 1st time homebuyers, veterans, or intending to live in a targeted area; have an income that is below the Keystone Home loan limits; have selected a home within the purchase price limits; must submit Mortgagor's Affidavit and a Recapture Tax Notice.

Programs for Persons with Disabilities: the Special Programs for Persons with Disabilities allows for buyers with disabilities to be able to buy a home through loan programs like the Keystone Home Loan, Keystone Government Loan, HFA Preferred, and HFA Preferred Risk Sharing while possibly being able to obtain additional funds to make accessibility changes to the home. Also, they may qualify for closing costs and down payment assistance. The Access Home Modification Program enables disabled buyers or households with a disabled person to receive a loan for up to \$10,000 in order to make the home more suitable to their living arrangements. The loan does not need to be repaid as long as the home is remains as the primary residence.

Luzerne County

The Growing Homeowners Initiative: the Growing Homeowners Initiative is a program where the Luzerne County Housing Trust Fund agrees to match a homebuyer's savings in order to assist them with buying a home provided that the recipient also attends homebuyer education courses. The matched money may be used to buy the home or for down payment and closing costs. Once qualified, the following steps must be followed:

- Open a savings account & begin a savings plan
- Meet with a specialist to set a goal & a plan that will outline how to reach the targeted goal
- Savings will be matched \$2 for every \$1 saved (not to exceed \$7,500)
- Participate in at least three Homebuyer Readiness Workshops

In order to be eligible for the Growing Homeowners Initiative, one must have lived in Luzerne County for at least one year and meet income limits.

Full program information is available on www.luzernecounty.org.

Housing Development Corporation of Northeastern Pennsylvania (HDC): is nonprofit organization that assists low to moderate income persons in buying a home. They work to maintain affordable housing options and offer home buying counseling and mortgage assistance. Borrowers could possibly receive up to \$30,000 as a second mortgage loan that would be forgiven after a 15 year term.

Lackawanna County

Lackawanna County First Time Homebuyer Program: The Lackawanna County First Time Homebuyer Program aids individuals with moderate incomes in the process of buying their first home in Lackawanna County, excluding Scranton. The program offers 15 percent in down payment assistance of up to \$12,000, in combination with the required five percent down. The down payment loan is a zero percent interest bearing loan that will be forgiven after ten years. In addition, one could receive a cash grant to help cover the closing costs.

Eligibility Requirements:

- First time homebuyer
- Attend counseling & an education workshop
- Income must be at or below median income levels and fall below liquid asset limit
- Purchase price of the home must be under designated limits
- Must be a single family home
- The home must be located within the county of Lackawanna (excluding Scranton)
- Home must meet current home safety codes and standards

Lackawanna County Act 137 Program City of Scranton Homebuyer Program: The Lackawanna County Act 137 Program - City of Scranton aids individuals with moderate incomes in the process of buying their first home in the City of Scranton. The program offers down payment assistance of up to \$18,000 and aid for closing costs, with the maximum being \$1,500. The down payment loan is interest-free and will be forgiven after 10 years, pending the home remains one's primary residence during that time. In order to be eligible, one must: attend a homebuyer education workshop, have an income at or below median income limits, put a five percent down payment down, be a first time homebuyer, and the home must be a single family home located within Lackawanna County.

City of Scranton Homebuyer Program (from OECD): With the City of Scranton Homebuyer Program the Scranton OECD agrees to match borrower's down payment of up to \$7,000. As well, one can receive an additional \$3,000 in closing costs. Furthermore, if an individual decides to sell within fifteen years, the home must be sold a low-income homebuyer.

PRE-PURCHASE CONSIDERATIONS

When deciding to purchase a home, buyers may focus on the affordability and appeal of a particular property. Though when considering buying a home, it is equally important to approach the process considering a range of factors that will affect their quality of life. Buying a home should be a carefully and well-planned purchase. Here is a recommended criterion for pre-purchase location considerations.

Neighborhood

The neighborhood one chooses to live in can significantly impact quality of life. In the National Association of Realtors' 2010 Profile of Home Buyers and Sellers, buyers ranked quality of neighborhood (64 percent) as the most important consideration when selecting a place to live.⁴ Buying a home is essentially buying a part of a neighborhood. Assessing the crime rates, school rankings, and convenient location of the surrounding community is recommended to ensure a new neighborhood is the most suitable to one's preferred standards. Buying a home is an indication of the desire to start a family and living in a community with a high crime rate is not advised. This can lead to a negative environment for children and families to live in. Contrary to this, the school rankings are a good indication of where to focus one's search as a higher school ranking bodes well for a child's future education. Once a buyer has narrowed down a particular location, they can narrow in on several neighborhoods that have appealing features. Real estate search websites such as www.trulia.com and www.zillow.com maintain current statistics of such neighborhood features.



Crime Rates and Safety

Pennsylvania Law mandates that individuals with particular criminal history must register their address and vehicle information with local authorities, which is made public. For example, the Megan's Law Registry provides a list of registered sex offenders. Similar to many online resources, individuals have access to neighborhood maps that show the home location of sexual offenders in relation to one's home address. Access to such information allows buyers to carefully assess the safety of a neighborhood and the potential dangers a family may face.

Surprisingly, a house may have a past that can lead to both health and financial loss. Homes used for certain criminal activity, such as drug production or consumption, could leave health hazards in a home. Sellers in Pennsylvania do not have a legal obligation to disclose a home's "drug use" to potential buyers. However, the U.S. Drug Enforcement Administration provides a Clandestine Laboratory Registry, which contains home addresses that indicate evidence of being a drug laboratory or dumpsite.

What Type of Crime?

The severity of the criminal activity could also be an important indicator to assess when buying a home. Crime patterns can vary widely across neighborhoods. Crimes like car break-ins compared to violent crimes can make a difference in deciding a neighborhood. Online resources provide homebuyers with accurate reports on crime rates in specific areas. For example, visiting crimereports.com provides access to up to date crime maps, noting the history and severity of criminal activity in an area. Trulia Real Estate

also offers crime maps, which provide crime rates in a town and neighborhood. This allows anyone to see both violent and non-violent crimes that have recently taken place recently in different parts of town and the frequency of criminal activity.

| Property Crime: Lackawanna | | | | | | | | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Crime | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Burglary | 736 | 692 | 899 | 902 | 752 | 1014 | 998 | 1063 | 994 | 1023 | 885 | 733 |
| Larceny Theft | 2562 | 2739 | 2908 | 3114 | 3075 | 3405 | 3286 | 3069 | 3311 | 3352 | 2982 | 2967 |
| Motor Vehicle Theft | 288 | 288 | 273 | 267 | 254 | 252 | 232 | 187 | 230 | 187 | 191 | 212 |
| Arson | 53 | 52 | 83 | 74 | 91 | 76 | 44 | 57 | 59 | 47 | 57 | 31 |
| Total | 3639 | 3771 | 4163 | 4357 | 4172 | 4747 | 4560 | 4376 | 4594 | 4609 | 4115 | 3943 |

Source : Pennsylvania Uniform Crime Reporting System

| Property Crime: Luzerne | | | | | | | | | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Crime | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Burglary | 1275 | 1094 | 1400 | 1408 | 1392 | 1315 | 1328 | 1405 | 1486 | 1661 | 1655 | 1383 |
| Larceny Theft | 5165 | 4676 | 5230 | 5023 | 5429 | 5759 | 5510 | 5748 | 5732 | 5895 | 5950 | 5588 |
| Motor Vehicle Theft | 456 | 458 | 446 | 547 | 464 | 418 | 375 | 348 | 402 | 354 | 318 | 268 |
| Arson | 135 | 148 | 148 | 89 | 72 | 59 | 63 | 92 | 62 | 55 | 77 | 81 |
| Total | 7031 | 6376 | 7224 | 7067 | 7357 | 7551 | 7252 | 7593 | 7682 | 7965 | 8000 | 7320 |

Source : Pennsylvania Uniform Crime Reporting System

| Violent Crime: Lackawanna | | | | | | | | | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Crime | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Murder | 6 | 4 | 4 | 0 | 2 | 9 | 4 | 1 | 5 | 0 | 5 | 6 |
| Rape | 54 | 76 | 78 | 49 | 37 | 49 | 48 | 34 | 48 | 35 | 31 | 39 |
| Robbery | 141 | 136 | 113 | 128 | 135 | 122 | 132 | 125 | 117 | 165 | 97 | 94 |
| Aggravated Assault | 252 | 350 | 472 | 359 | 271 | 286 | 336 | 319 | 307 | 296 | 274 | 275 |
| Total | 453 | 566 | 667 | 536 | 445 | 466 | 520 | 479 | 477 | 496 | 407 | 414 |

Source : Pennsylvania Uniform Crime Reporting System

| Violent Crime: Luzerne | | | | | | | | | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Crime | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Murder | 23 | 9 | 16 | 22 | 14 | 15 | 26 | 11 | 12 | 17 | 18 | 8 |
| Rape | 59 | 69 | 87 | 81 | 70 | 75 | 60 | 69 | 55 | 88 | 70 | 60 |
| Robbery | 180 | 234 | 250 | 239 | 247 | 186 | 176 | 216 | 273 | 233 | 223 | 253 |
| Aggravated Assault | 434 | 493 | 598 | 673 | 714 | 698 | 621 | 547 | 683 | 562 | 511 | 521 |
| Total | 696 | 805 | 951 | 1015 | 1045 | 974 | 883 | 843 | 1023 | 900 | 822 | 842 |

Source : Pennsylvania Uniform Crime Reporting System

The tables above show the property and violent crime rates in Lackawanna and Luzerne Counties. There is more specific information available for neighborhoods on websites mentioned above. Online resources do provide important facts and figures, but there's no substitute for a personal visit. It is beneficial to visually inspect the neighborhood and home. The most important step is to consider one's children's ages, the neighborhood characteristics, and home safety features will be most suitable for individual needs.

Transportation

The accessibility to major highways as well as public transportation will have a considerable effect on the value of a property. Buyers should be aware of the location of public transit resources, as they help home buyers live a more convenient lifestyle. Shorter commutes and walkable neighborhoods remain attractive features for many buyers. One may want to consider homes in close proximity to main roadways or public bus stations. However, too close of a proximity to such resources can often be considered a burden if there is significant traffic noise. This can often lower the value of a property should reselling be an option in the future.

Nonetheless, home location close to transportation resources and employment can save commuting time and money. Driving remains the most common way to commute in both Lackawanna and Luzerne County. The average travel time to work is approximately 20 minutes. Finding neighborhoods close to work will allow one to consider other options, including bus and walking, which has seen a steady increase due to transportation costs. Remember, the farther a person lives from work, the longer and more costly a commute becomes.

School Rankings

Prospective homebuyers who have children, or plan on having children, consider the quality of a neighborhood's school district a major factor during their search. Even for someone who does not plan on having children, the quality of the local school district can have a substantial impact on the home value and living experience.

There is a clear correlation between the quality of a town and the quality of education. Great public school districts are often located in safer neighborhoods, with access to public amenities and high standard of development most suitable for children. It is important to consider if there will be sidewalks and crosswalks that will allow for a child to walk safely, or have access to school buses that will transport them to and from school. However, often times multiple towns can cut across school district lines so it is crucial to be mindful of that when searching for homes.

The first step in a school assessment is to look at school evaluations. The school assessments shown below are measured through a combination of the Pennsylvania System of School Assessment (PSSA) and Pennsylvania Association of School Administrators (PASA) exams for Grades 3 through 8 and the Keystone Exams for Grade 11. Though test scores do not provide all relevant information about a school, they do provide a sense of quality of the education.

| School Assessment: Lackawanna County | | | | | | | |
|--------------------------------------|------|---------|---------|---------|------|---------|---------|
| District | 2013 | | | | 2014 | | |
| | Math | Reading | Writing | Science | Math | Reading | Writing |
| Abington Heights | 86% | 84% | N/A | N/A | 87% | 83% | N/A |
| Carbondale Area | 65% | 62% | N/A | N/A | 64% | 62% | N/A |
| Dunmore | 75% | 76% | N/A | N/A | 73% | 75% | N/A |
| Lakeland | 76% | 71% | N/A | N/A | 73% | 71% | N/A |
| Mid Valley | 74% | 71% | N/A | N/A | 70% | 75% | N/A |
| North Pocono | 80% | 77% | N/A | N/A | 77% | 79% | N/A |
| Old Forge | 68% | 69% | N/A | N/A | 70% | 70% | N/A |
| Riverside | 67% | 65% | N/A | N/A | 68% | 66% | N/A |
| Scranton | 60% | 60% | N/A | N/A | 55% | 59% | N/A |
| Valley View | 73% | 70% | N/A | N/A | 67% | 70% | N/A |
| County Average | 72% | 71% | N/A | N/A | 70% | 71% | N/A |

Source : Pennsylvania Department of Education Required Federal Reporting Measures

| School Assessment: Luzerne County | | | | | | | |
|-----------------------------------|------|---------|---------|---------|------|---------|---------|
| District | 2013 | | | | 2014 | | |
| | Math | Reading | Writing | Science | Math | Reading | Writing |
| Crestwood | 84% | 83% | N/A | N/A | 79% | 80% | N/A |
| Dallas | 84% | 83% | N/A | N/A | 85% | 84% | N/A |
| Greater Nanticoke Area | 67% | 61% | N/A | N/A | 62% | 58% | N/A |
| Hanover Area | 59% | 55% | N/A | N/A | 50% | 55% | N/A |
| Hazleton Area | 58% | 58% | N/A | N/A | 57% | 60% | N/A |
| Lake-Lehman | 79% | 75% | N/A | N/A | 80% | 76% | N/A |
| Northwest Area | 60% | 65% | N/A | N/A | 55% | 64% | N/A |
| Pittston Area | 73% | 69% | N/A | N/A | 68% | 68% | N/A |
| Wilkes-Barre Area | 53% | 53% | N/A | N/A | 52% | 51% | N/A |
| Wyoming Area | 78% | 71% | N/A | N/A | 72% | 72% | N/A |
| Wyoming Valley West | 63% | 62% | N/A | N/A | 60% | 62% | N/A |
| County Average | 69% | 67% | N/A | N/A | 65% | 66% | N/A |

Source : Pennsylvania Department of Education Required Federal Reporting Measures

Teacher qualification may also shine some light onto the quality of the school district. It is essential to confirm that teachers hold full certification, successfully passing a content area test and completing teacher education coursework.

Several online resources provide accurate reviews of school features. Greatschools.org and Education.com allows a prospective home buyer to compare test scores, course offerings, and teacher reviews among local schools.

School District Effect on House Value

As previously stated, school rankings can have a bigger impact on a lifestyle past educational concerns. Home values and selling prices can fluctuate easily based on market factors. However, neighborhoods with high schools ratings can keep home values afloat. Homes in the best school districts sell for higher prices than homes located in less favored school districts. These homes are not only of high value, but are easier to sell when they come onto the market.

Home Inspection Process

Many home owners do not consider the importance of a home inspection. Carefully assessing the quality and overall safety of a home is essential to the pre-purchasing process. This physical examination will allow an individual, as the potential home buyer, to make educated decisions about a home purchase. Buyers can also determine how much repair and renovation will be needed after taking possession, which problems are of major concern, which ones are minor, and what conditions compromise the safety of the property. This is an essential step in a carefully considered, well-planned purchase.



Choosing a Home Inspector

First, a buyer should choose a qualified, certified inspector. Certification usually requires being a licensed or registered engineer or architect and adherence to strict standards of practice and a full member in good standing of a national home inspection association. If an inspector is not yet a full member of a national home inspection association, he or she must be supervised by a full member who signs the inspection report. Home inspectors are often incorrectly perceived as general contractors who happen to inspect homes. This view underlies an essential misunderstanding of the home inspection process. Although building knowledge is essential to a home inspector, construction itself has little or no relation to the skills of inspection. A home inspector is primarily a property investigator who observes and discovers defects.

Every home, regardless of age or quality, holds the possibility of having some defective condition. The question is what, where, and how serious, dangerous, or expensive the defects will turn out to be. Some are obvious, while others are only apparent to those who know how and where to look. A certified home inspector can alert a buyer of defective issues involving the following:

- Electrical wiring
- Gas fixtures
- Railings and staircases
- Ground drainage
- Plumbing
- Fixtures
- Construction
- Building settlement

A qualified home inspector will find items that will save the buyer time and money in the long run. Finding a qualified home inspector will help find faults in the property early. Better to discover them now than later.

The Inspection Report

Once a home inspector has reviewed the prospective home, an inspection report will be completed. This report details the home's defaults and recommended repairs. To be clear, a home inspection is not a repair list. A home inspection report must be in writing and include a description of the inspection which identifies the property's structural elements, systems, or components covered in the report, a description of the material defects found during the inspection with the recommendation that the defects and the necessary corrective actions shall be left to the discretion of certain experts (plumbers, contractor, and

electrician). One should seek an estimate of the cost of such repairs from these experts, not the home inspector.

How home malfunctions will be addressed will then be negotiated by the buyer and seller. Sellers have the right to refuse repair demands, unless required by state or local law. For example, a termite report has different requirements. Real estate contracts usually obligate a seller to repair conditions classified as 'section one'. Section one includes instances of active infestation, which include termites, fungus, and dry rot. Other faulty conditions do not require repair. Legal obligations include smoke detectors in specified locations. Contracts usually stipulate other basic requirements like fixtures be in working condition at the closing, that windows not be broken, and that there are no existing leaks in the roof or plumbing.

Before making any repair demands to the seller, evaluate the inspection report and look at problems of the greatest significance. Consider conditions that will pose health and safety hazards. Most sellers will address malfunctions regarding roofs, fireplaces, gas burning fixtures, or electrical wiring. Who will be responsible for these malfunctions should be negotiated between the buyer and seller.

According to these criteria, a home inspection is limited to conditions that are visible. Specifically excluded from an inspection are conditions which are concealed from view, such as items contained within walls, ceilings, and floors, or which are buried beneath the ground. Inspectors are not required to perform dismantling of construction or excavation of ground surfaces to discover conditions that are not normally visible.

Negotiate After a Home Inspection

Once an inspection report is obtained, keep in mind that the sale of the home is dependent upon the home inspector's report. This means that a buyer has a specified number of days to accept or decline the property in its current condition. Declining an offer leaves a home buyer with the following options:

1. Ask the sellers to make a few repairs
2. Ask the sellers to make many repairs
3. Ask the sellers to reduce the sales price
4. Decline to purchase the property

Similarly, if repairs or a price adjustment are requested based upon the home inspection report, the seller also has options including:

1. Agree to all requests
2. Agree to some requests
3. Agree to no requests
4. Decline to sell the property

The sellers' only obligation is to address defects that are to be fixed based on the purchase contract or required by state and local laws. Aside from such requirements, completion of the sale depends upon whatever is agreed upon between the buyer and the seller.

Homeowners Insurance

Buying a home will ultimately require other essential purchases. It is important for homebuyers to learn the basics about homeowners insurance, including the different types of coverages and prices. Majority of all mortgage lenders will require buyers to purchase insurance to protect the home in a case of serious damage or destruction. Whether it is required or not, it is a smart investment to have anyway. Listed below is a guide to the basics of buying a homeowners policy.

Types of Homeowner's Coverage

- **Dwellers:** covers damage to the interior and exterior of a house. This coverage will compensate a buyer in the event of damage due to fire, hurricanes, lightening, or vandalism. An insurer will compensate the buyer so that the house can be repaired or even completely rebuilt. However, damage from floods or earthquakes is generally not covered and may require separate insurance plans.
- **Personal Property:** covers loss or damage to personal belongings, this includes clothing, furniture, appliances and most other contents of a home are covered if they are destroyed in an insured disaster. An "off-premise" coverage can even be applied to lost items outside the home, like jewelry. There may be a limit on the amount an insurer will reimburse a buyer. Most insurance companies will provide coverage for approximately 50 to 70 percent of the amount of insurance on the structure of the home. For example, a home insured for \$250,000, there would be up to \$175,000 worth of coverage for one's own possessions.
- **Personal liability:** covers financial loss if a homeowner or the homeowner's family is found liable for damage or injuries. This policy will protect everyone from situations ranging from people slipping on an icy sidewalk to even being bitten by a dog. Policies start in the range of \$100,000 coverage. However, it is recommended that a homeowner have at least \$300,000 worth of liability coverage.

Insurance Costs

The average yearly premium cost for U.S. homeowners insurance was \$791. Price will begin to be determined by how much coverage is purchased. Though insurance premiums vary widely and depend on multiple factors, including the following:

- **House Location:** the zip code of the town will be considered in determining premium costs. For example, if residing in a high-crime area, insurance premiums will be higher.
- **House Construction:** the material a home is made of will affect a premium cost. For example, homes that are primarily made of brick provide more security compared to wood framed homes, making the premiums lower.
- **House Age:** the premium will most likely be higher for older homes compared to newer homes.
- **House Condition:** the premium will most likely be higher for homes with several faults and in poor conditions compared to homes in good condition. The condition of plumbing, heating and electrical systems can often be reviewed.
- **Insurance Duration:** the length of time with a current insurance company can be a factor. Several insurance companies will provide discounts for loyal customers.
- **Same Insurance Company, Different Policies:** have coverage with the same company but for different policies, like home and auto insurance, for example, can lead to lower costs.
- **Credit History:** insurers will use a buyer's credit history as a factor in deciding whether to sell insurance and at what cost. Credit history is used to reflect one's responsibility as a consumer and homeowner.
- **Deductible Amount:** choosing a higher deductible will reduce the price of home insurance

Deductibles

Deductibles are the amount paid out of pocket before a chosen insurer provides coverage. It represents the insurance company and policyholder sharing the risk. For example, a \$700 deductible will result in \$700 deducted from the payment for damages covered under the policy. Typically, the larger the deductible, the less a consumer pays in premiums for an insurance policy.

Where to Purchase Insurance

Insurance Companies: Choose an insurance company that will not only provide the best rate and coverage, but one that holds financial strength and credibility. Contact the Pennsylvania Insurance Department or visit www.insurance.pa.gov to confirm that the company is licensed in the state. Choose between the over 200 licensed insurers that sell homeowners policies in Pennsylvania.

Pennsylvania Fair Plan: the state's "Fair Plan" assists individuals obtain basic fire and extended coverage, but not liability or theft.

Surplus Line Market: serves as an alternative for people being unsuccessful getting insurance coverage from a Pennsylvania licensed insurer. Surplus lines companies are permitted to issue policies that are subject to all the same insurance laws and regulations as licensed insurers. However, one will not be protected by a safety fund if the company becomes bankrupt.

Repairs and Maintenance

Roofing Defects: Majority of homes are likely to find problems with the roofing material, improper installation, or just the age of the roofing. Defects to a roof do not necessarily require full replacement. However, a thorough examination of the roof is recommended to determine if repairs are needed.

Ceiling Stains: Ceiling stains can be an indication of past or current roof leaks. However, there is also the possibility that ceiling stains are caused by a plumbing leak in the interior of the house.

Water Intrusion: Water intrusion into basements from ground water conditions can be a persistent problem, which can be difficult to resolve and can lead to a lot of damage to a house. However, maintenance can be as simple as regrading the exterior grounds or adding roof gutters to transfer the flow of rain water.

Electrical Hazards: Electrical safety hazards include ungrounded outlets, faulty wiring conditions in electrical panels or elsewhere in the home. Such problems may be the result of errors at the time of construction. However, often these conditions are a result of alterations made by an unqualified individual.

Rotten Wood: Wood can rot easily on a homes' exterior or any areas with excessive exposure to water, especially plumbing fixtures, decks, around tubs and showers, or under loose toilets. This allows for the potential for dry rot to occur from which a fungus infection is very likely to occur, resulting in a condition commonly known as dry rot. If left unchecked, damage can become quite extensive.

Housing Violations: Homebuyers must make sure that any recent renovations, alternations, or additions to a home were completed with a permit and under code. Not carefully assessing potential illegal renovations during the inspection process will most likely cost more in repairs down the road.

Fireplace and Chimney Conditions: These can range from lack of maintenance, such as neglecting to hire a chimney sweep, to faulty installation of fixtures. Most common among these are the lack of spark arrestors and substandard placement of wood-burning stoves. Free-standing fireplaces are sometimes installed by people without an adequate knowledge of fire safety requirements. The most common violations in these cases involve insufficient clearance between hot metal surfaces and combustible materials within the building. Fire hazards of this kind are often concealed in attics, where they remain undiscovered until a roof fire occurs.

Faulty Installation of Water Heaters: In most localities, less than five percent of all water heaters are installed in full compliance with plumbing code requirements. Violations can include inadequate strapping, improperly installed overflow piping, unsafe flue conditions, or faulty gas piping. It should also be remembered that today's water heaters are designed with a shorter lifespan. In fact, leaks can develop in units that are only five years old.

Dangerous Gas Heaters: Most gas-fueled heaters are in need of occasional maintenance. Gas heaters can contain life-threatening defects that if left undiscovered can pose serious danger. These can range from fire safety violations to the venting of carbon monoxide into the home.

Minor plumbing defects: Loose toilets, dripping faucets, slow drains, and leaking drains are common defects found.

Home Loan Options

When choosing between home loan programs, remember that each has option is does not fit everyone. Consider the following options in deciding which program is most suitable for personal needs:

Fixed-rate loans: The principal and interest payment will not fluctuate. This guarantees the homeowner the same payments for the entire loan term. However, despite it being a fixed-rate, a payment can possibly fluctuate from increases or decreases in property taxes and insurance premiums.

Adjustable Rate Mortgages: Many adjustable rate mortgages today are considered "hybrid loans." This means that for a period of five, seven, or ten years paid pay at a fixed interest rate. This period, however, is then followed by a period of adjusting interest rates. The benefit of this loan is that the initial payment period offers a lower interest rate than the fixed-rate loan. This will provide the ability to save money on interest. Nonetheless, not paying off the home loan or at least majority of it during the initial payment duration can put one at risk of paying more when the adjustable interest rate period begins. It's important to evaluate how much the home loan can fluctuate and whether or not one can afford those payments if interest rates reach the maximum allowed by a loan. Adjustable rate mortgages do have caps on the amount they can adjust and the times they can be adjusted.

Loan terms: First-time homebuyers usually request a 30-year payment period on a loan, in order to keep mortgage payments low. Nonetheless, people still have shorter loan terms of 15 or 20 years. These terms will lead to higher mortgage payments because of the repayment of principle over a shorter period of time. This option is still encouraged though, as less interest is paid during the payment period and usually at lower interest rates.

Conventional Loans: Conventional loans meet the standards of Fannie Mae and Freddie Mac for credit qualifications and debt-to-income ratio. Debt-to-income ratio is an important consideration, as it measures

the percentage of a monthly income that is spent on debt. This consideration, along with possessing a certain credit score and having a minimum down payment, are the criteria for this loan approval. Conventional loans are great options for borrowers with excellent credit scores. However, this loan option is only suitable for individuals with excellent credit to qualify for the best interest rates. Also, most conventional loans require a down payment of 10 percent to 20 percent. If one decides to make a down payment of less than 20 percent, a private mortgage insurance payment will be required.

Jumbo loans: A jumbo loan is needed if a buyer is borrowing an amount above the limit for a conforming loan. The limit in most of the U.S. \$417,000 but is \$625,500 in high-cost areas. This loan has strict criteria, including a larger down payment of at least 20% to 25% and having stricter credit standards because of the higher level of risk associated with the larger loan.

FHA Loans: The Federal Housing Administration offers loans that protect lenders from borrower's default. This loan requires paying mortgage insurance and a down payment of 3.5%. Keep in consideration that the FHA's mortgage insurance premiums are higher than private mortgage insurance. Nonetheless, these loans are a good alternative for borrowers with lower credit scores and higher debt-to-income ratios.

VA Loans: These loans are great options for members of the military, veterans, and their spouses. Administered through the U.S. Department of Veterans Affairs, eligible borrowers can purchase a home without paying mortgage insurance or a down payment. VA borrowers can qualify for 100% financing and are able to reuse this benefit, though loan amounts are limited.

USDA Rural Housing Development Loans: Designated rural areas outlined by the U.S. Department of Agriculture allow homebuyers to purchase a home without mortgage insurance or a down payment. Visit the USDA's Income and Eligibility to determine if a buyer qualifies for the program.

¹ <http://www.forbes.com/sites/billconerly/2013/11/11/should-you-buy-a-house-or-rent-the-economics-of-homeownership/>

² <http://www.investopedia.com/articles/personal-finance/100714/renttoown-homes-how-process-works.asp>

³ <http://www.bankrate.com/finance/mortgages/the-basics-of-private-mortgage-insurance-pmi.aspx>

⁴ <http://www.zillow.com/blog/2012-06-21/10-things-that-make-a-home-a-good-home/>