



Mortgage & Home Buying 101

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THE HOME-BUYING PROCESS

Phase 1: Get Pre-approved

- First, make the decision to buy a home.
- Then, contact your Loan Officer to get pre-approved for a mortgage before you begin shopping so you know what you can afford.
- Make sure you understand the terms and conditions of qualifying for a mortgage.
- Once you've been pre-approved, choose a Realtor[®] to help you through the home-buying process.



THE HOME-BUYING PROCESS

Phase 2: Finding the Perfect Home



- Now the fun begins! Partner with your Realtor to begin looking for your perfect home.
- Once you've found your dream home, it's time to sign on the dotted line. You and your Realtor will complete the contract of sale and present it to seller for acceptance.
- If accepted, give a copy of the acceptance letter to your loan officer for completion of the mortgage application.

THE HOME-BUYING PROCESS

Phase 3: Inspections and Insurance

- Now it's time to order any home inspections specified in your contract of sale.
- While inspections are being completed, contact homeowners insurance agent to obtain a policy.
- Your Realtor will then follow up on inspections and any contract-related issues while your loan officer orders appraisals and documents necessary for final loan approval.
- **LOAN APPROVED!**



THE HOME-BUYING PROCESS

Phase 4: Titles and Funding



- Contact your title company and ask them to forward loan closing documents.
- The title company will contact you when documents are ready for signing and funds are available to complete the purchase.
- Once all paperwork is signed, the loan is closed the loan and the funding process is complete. Which means...
- It's time to move into your dream home!

THE ABCs OF QUALIFYING FOR A MORTGAGE

A

ASSETS

B

BORROWER INCOME

C

CREDIT

THE ABCs OF QUALIFYING FOR A MORTGAGE

Assets:

- The more the better.
- Assets are used to show your ability to repay in times of hardship and will demonstrate to your lender that you are at less of a risk to default or be late on payments
- In general, you can expect to put at least 5% down on a new home.



THE ABCs OF QUALIFYING FOR A MORTGAGE

Borrower Income:

Your income should demonstrate your ability to repay your home loan. As a general rule, you should seek to have a debt-to-income ratio of around 33% to 38%.

Lenders may use the terms “top ratio” and “bottom ratio.” Simply stated:

- *Top ratio:* The total housing payment divided by gross income.
- *Bottom ratio:* The total housing payment *plus any debt you may have* divided by gross income.





THE ABCs OF QUALIFYING FOR A MORTGAGE

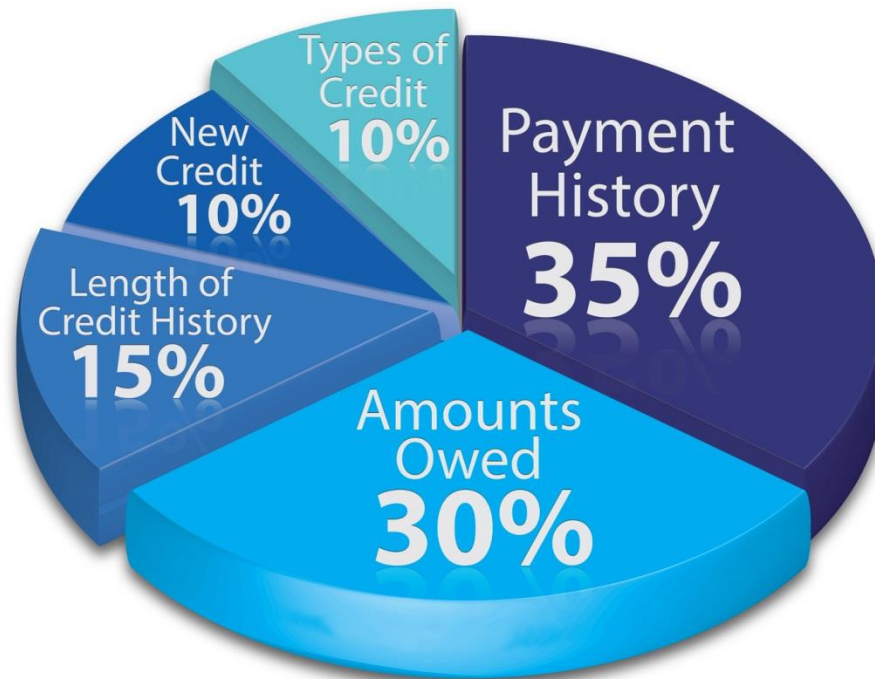
Maintain good credit by:

- Paying your bills on time and avoiding judgments and collections.
- Monitoring your FICO (credit scores) across the top three bureaus: TransUnion, Experian, & Equifax.
- Striving to maintain a credit score at or above 680 in order to ensure you receive a favorable credit decision.*

**This is the most important part of the three ABCs of qualifying for a mortgage!*



FICO (Fair Isaac Corporation) SCORE



Source: myFICO.com

MORTGAGE PRODUCTS AND OPTIONS

Fixed vs. Adjustable



Fixed Rate Mortgage:

- Rate is fixed for the life of the loan.
- Term: 10, 15, 20, or 30 years.
- Gives security since payment does not change.



MORTGAGE PRODUCTS AND OPTIONS

Fixed vs. Adjustable

Adjustable Rate Mortgage (ARM):

- Rate is fixed for a period of time, then changes after the fixed period has expired.
- Rate terms are 15 or 30 years, while fixed rate periods range from one to seven years.
- Lower initial payments give you extra purchasing power and make liquid cash available.
- Lower debt-to-income ratio can help in qualifying for a loan.
- Especially good for short-term occupancy of a home (starter home, relocating).

PURCHASE AGREEMENTS AND CLOSING COSTS



Purchase Agreements/Contracts of Sale will include*:

- Contingency dates, such as the home inspection, mortgage loan commitment, satisfactory appraisal, etc.
- Close of escrow date.
- Seller-paid services.

** If you have any questions any step of the way towards home ownership, it's important to ask your Realtor[®] for clarification **before** signing.*



PURCHASE AGREEMENTS AND CLOSING COSTS

Closing costs will include:

- Credit Union lender fees
- Third-party provider fees, such as appraisal, credit reporting, and title fees
- Pre-paid items (interest and impounds)

An impound account is used for taxes and insurance and is required if you are putting less than 10% down.



HOMEOWNERS INSURANCE

When it comes to Homeowner's Insurance, here are some tips to help ensure you get the best deal:



- First, shop around. Start with your current homeowner's insurance company (if applicable), or the company that is insuring your car.
- Next, ask around. Your family, friends, or Realtor[®] can be great sources.
- Then, bid it out. Ask for price match to help make sure you get the best deal.



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THANK YOU



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