First-Time Homebuyer Seminar

FDCOMMUNITY FEDERAL CREDIT UNION

Powered by Mortgage Markets CUSO ... a credit union service organization

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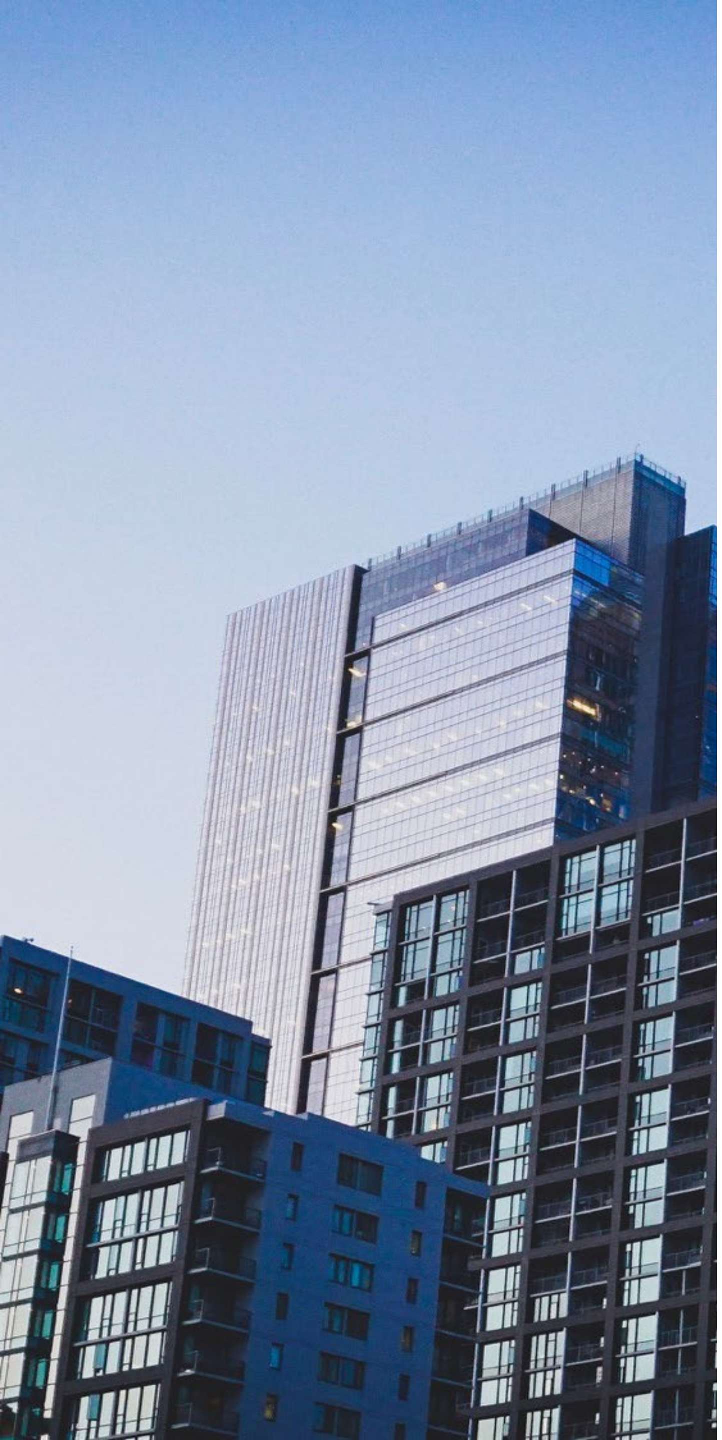

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Michael Ferraro
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... a credit union service organization

Presented By

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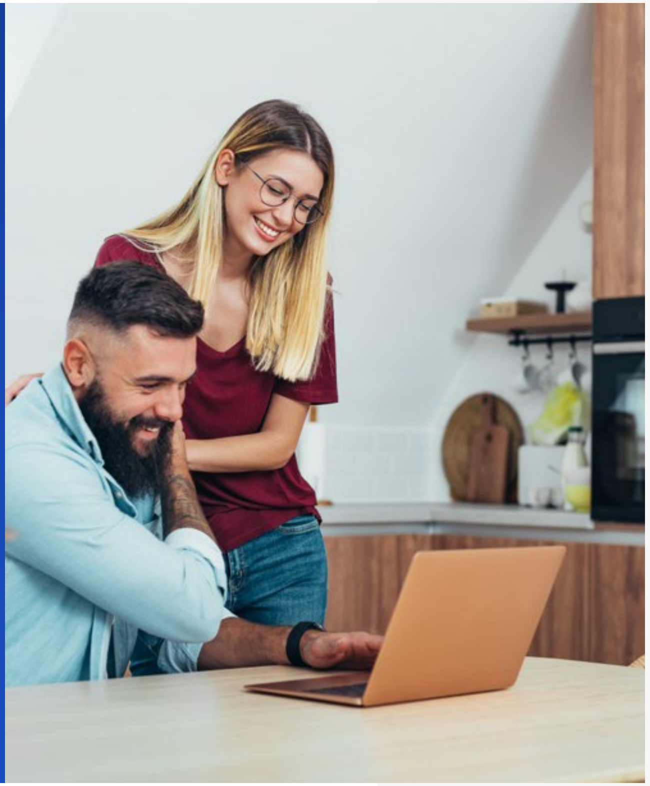
Step 1

Explore Your Mortgage Options

Cindy Berger
Mortgage Loan Originator
Mortgage Markets CUSO

From this brief conversation, we can give you a good idea of **how much home you can comfortably afford** and **what to expect from the loan process**.



Understand Your Options

As your lender, we'll ask you questions based on standard lending guidelines to determine the terms and loan programs that will be most beneficial for you.

Questions like:

- How much of a monthly payment can you afford?
- Do you have enough money for a down payment?
- How long do you see yourself living in the new home?
- What type of loan best suits your needs?

Get to Know Common Loan Products

Conventional Fixed Rate

A mortgage with an interest rate that remains constant over the entire life of the loan. Generally, requires a down payment of at least 3% to 5% of the purchase price and will likely require private mortgage insurance (PMI) if down payment is less than 20%.

Best For

Borrowers who plan to stay in the home for a long time (at least 10 years); Borrowers who want the comfort of knowing their rate will never adjust.

Advantages

Stability and peace of mind.

Drawbacks

Usually carries a higher interest rate since you are paying extra for rate security. Most people don't stay in the same home or loan (without refinancing) for the entire 30 years, meaning they are paying for rate security they will never need.

Get to Know Common Loan Products

Adjustable Rate Mortgage (ARM)

A mortgage with an interest rate that is fixed for a specified period of time (3-10 years) and then adjusts to the current market rate for the remainder of the loan. Usually requires a down payment of at least 10% and will likely require PMI if down payment is less than 20%.

Best For

Borrowers who intend to live in the home for a shorter period of time (less than 10 years); Borrowers who are comfortable with risk and want to minimize their rate.

Advantages

Generally, carries lower rate since rate is only fixed for set number of years; Allows borrower to pay only for rate security needed based on their plans.

Drawbacks

Once the fixed period expires, the interest rate could adjust upward if market rates are high.

Get to Know Common Loan Products

100% Finance Solution (No Money Down)

A special Congressional Federal solution that allows borrowers with strong credit but lack savings for a substantial down payment to experience the benefits of home ownership sooner. Structured as a combination of a first mortgage and a home equity loan/line of credit. No PMI required.

Best For

First time home buyers who have a job and good credit but do not have the funds for a down payment.

Advantages

Allows borrowers to buy a home now instead of waiting to amass enough funds for a down payment.

Drawbacks

Not available with 30-year fixed rate mortgages; No down payment means borrower will have minimal equity if they need to sell the property unexpectedly in the first 1 - 2 years.

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Get to Know Common Loan Products

FHA, VA, USDA, CHFA

Loan programs that are backed by the government. FHA VA, USDA and CHFA offer solutions to those who may not qualify for conventional options and could be an outstanding solution for a First Time Homebuyer

Best For

First time home buyers who may have less than perfect credit; Veterans.

Advantages

More forgiving of small credit "dings" than conventional programs; Low down payment requirement (0% to 3.5%).

Drawbacks

Requires substantial upfront premium at closing (1.5% to 2%) in addition to monthly insurance premiums; Fewer product options than conventional; Turn times can be slower.

Step 2

Qualifying for a Mortgage

Patrick Shiel
Mortgage Loan Originator
Mortgage Markets CUSO

Qualifying for a Mortgage

Factors that go into determining a mortgage amount

By working with us before deciding on a property, you'll know whether you qualify for a mortgage large enough to finance your dream home.

We'll be able to answer all your questions upfront, including:

- What is my credit score?
- How does my credit score affect my mortgage options?

Your credit score affects the down payment requirement, interest rate, private mortgage insurance (PMI), and type of loan you qualify for.

< 580	580 – 669	670 – 739	740 – 799	800 +
Poor	**Fair**	**Good**	**Very Good**	**Exceptional**
• Well below average • Demonstrates to lenders that you're a risky borrower	• Below average • Many lenders will approve loans	• Near or slightly above average • Most lenders consider this a good score	• Above average • Demonstrates to lenders you're a very dependable borrower	• Well above average • Demonstrates to lenders you're an exceptional borrower

Qualifying for a Mortgage

Factors that go into determining a mortgage amount

To determine if you qualify for a loan, we will consider:

- Your credit history
- Your monthly pre-tax income
- Your monthly expenses
- How much cash you have accumulated for a down payment

Qualifying for a Mortgage

Factors that go into determining a mortgage amount

So, how much house can you afford?

To know that you need to understand a simple concept called debt-to-income (DTI) ratio. That's your monthly debts/liabilities divided by your gross monthly income.

Your DTI must fall under a certain percentage in order to qualify for a mortgage.

Step 3

Getting Pre-Qualified

Cindy Berger
Mortgage Loan Originator
Mortgage Markets CUSO

Find Your Exact Price Range

Getting Pre-Qualified

Once you've supplied all the required information about your employment, assets, current residence history and other pertinent items, we will ask for your permission to obtain your credit report.

These documents may be required for a fully underwritten pre-approval:

- W-2s for 2 years
- 2 years of tax returns
- Bank statements for the last 2 months (all accounts) with an explanation for any large deposits
- Most recent year to date pay stub reflecting a minimum of 30 days of income
- If self-employed, year to date profit and loss statement, plus signed tax returns for last 2 years
- Additional documents may be required depending on your situation

By reviewing all this information, we can determine the amount you can borrow and provide you with a pre-approval letter.

Not All Pre-Approval Letters are the Same!

Getting Pre-Qualified

Depending on your timeframe, a lender can provide you with a range of options, from a **quick pre-qualification letter** (based on the application information), to a **fully underwritten pre-approval letter**.

Remember, when the seller knows you are pre-approved, it gives you real negotiating power.

See if you qualify!

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Homebuying Do’s and Don'ts

How to avoid glitches and surprises in the loan process

Do

- Keep concise records of all large deposits and transfers from your bank or credit union accounts
- Continue to make your rent payment on time
- Stay current on all your credit cards and car payments
- Avoid job changes
- Make sure your down-payment funds (if any) have been liquidated at least 7 days prior to settlement
- Call your Mortgage Loan Officer before making any changes to your finances

Don’t

- Take out a new loan or make any major purchases (car, furniture, timeshare etc.)
- Apply for new credit (even if you are “pre-approved!”)
- Open, close or consolidate any credit cards
- Transfer or increase your credit card balances
- Pay off any collections (without consulting your Mortgage Loan Officer)
- Change banks

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Mortgage Terms To Know

Amortization	The gradual reduction of debt over the term of the loan. It occurs through the repayment of principal.
Annual Percentage Rate (APR)	The yearly cost of a mortgage including interest and other fees, expressed as an annual percentage of the loan amount
Appraisal	A written estimate of a property's current market value.
Closing Costs	All costs required to settle on the purchase of a property including items like title insurance, appraisal fees, processing, underwriting and surveying fees.
Credit Score	A credit score is a number that is used to predict how likely you are to pay back a loan on time.
Deed	The legal document that transfers property from one owner to another.
Down Payment	The amount of your home's purchase price you pay up front (and don't borrow).
Earnest Money	A deposit made by a buyer toward the down payment to show good faith when the purchase agreement is signed. This money may be forfeited if the buyer backs out of the contract.
Equity	The monetary difference between your loan amount and the actual market value of your home.

Good Faith Estimate	A written estimate of the closing costs the borrower will likely have to pay to obtain the loan.
Loan to Value (LTV)	The percentage of the home's market value that is borrowed.
Private Mortgage Insurance (PMI)	Insurance to protect the lender in case the borrower defaults on the loan. Generally required when the LTV is greater than 80%.
Sales Contract	Signed by buyer and seller stating the terms and conditions under which a property will be sold.
Settlement Attorney	Conducts the settlement at the end of the home buying process. Also responsible for the legal aspects of the transaction, such as title search and deed recording.
Term	The number of years you have to pay back the loan.
Title	The official document that shows ownership of a property
Title Insurance	Insurance policy that protects the lender and homeowner from past or future claims that may erode clear ownership of the property.

Step 4

Why Use A Realtor?

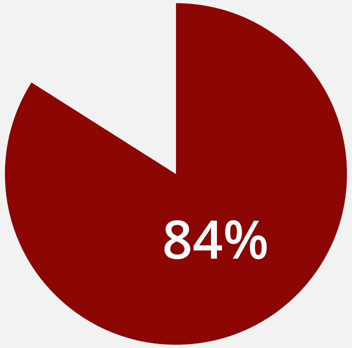
Judy Rush
Realtor
Dave Jones Realty

Why Use a Realtor?

REALTORS subscribe to a strict code of ethics and are expected to maintain a higher level of knowledge of the process of buying and selling real estate.

Real estate transactions involve one of the biggest financial investments most people experience in their lifetime.

An independent survey reports that **84%** of home buyers would use the same REALTOR again!



DAVE JONES realty, llc

Why Use a Realtor?

Here are a dozen reasons to use one

1

Your REALTOR® can help you **determine your buying power** - that is, your financial reserves plus your borrowing capacity. If you give a REALTOR® some basic information about your available savings, income and current debt, he or she can refer you to lenders best qualified to help you.

2

Your REALTOR® is the best person to objectively help you resolve issues and **move the transaction to closing** (or settlement). Between the initial sales agreement and closing (or settlement), questions may arise. For example, unexpected repairs are required to obtain financing or a cloud in the title is discovered. The required paperwork alone is overwhelming for most sellers.

3

Your REALTOR® can **help you negotiate**. There are myriad negotiating factors, including but not limited to price, financing, terms, date of possession and often the inclusion or exclusion of repairs and furnishings or equipment. The purchase agreement should provide a period of time for you to complete appropriate inspections and investigations of the property before you are bound to complete the purchase. Your agent can advise you as to which investigations and inspections are recommended or required.

4

Your REALTOR® has many resources to **assist you in your home search**. Sometimes the property you are seeking is available but not actively advertised in the market, and it will take some investigation by your agent to find all available properties.

Why Use a Realtor?

Here are a dozen reasons to use one

5

Your REALTOR® **provides due diligence** during the evaluation of the property. Depending on the area and property, this could include inspections for termites, dry rot, asbestos, faulty structure, roof condition, septic tank and well tests, just to name a few. Your REALTOR® can assist you in finding qualified responsible professionals to do most of these investigations and provide you with written reports.

6

Your REALTOR® will know when, where and how to **advertise your property**. There is a misconception that advertising sells real estate. The NATIONAL ASSOCIATION OF REALTORS® studies show that 82% of real estate sales are the result of agent contacts through previous clients, referrals, friends, family and personal contacts. When a property is marketed with the help of your REALTOR®, you do not have to allow strangers into your home. Your REALTOR® will generally prescreen and accompany qualified prospects through your property.

7

When selling your home, your REALTOR® can give you **up-to-date information on what is happening in the marketplace** and the price, financing, terms and condition of competing properties. These are key factors in getting your property sold at the best price, quickly and with minimum hassle.

8

Your REALTOR® can **guide you through the closing process** and make sure everything flows together smoothly.

Why Use a Realtor?

Here are a dozen reasons to use one

9

Your REALTOR® **markets your property** to other real estate agents and the public. Often, your REALTOR® can recommend repairs or cosmetic work that will significantly enhance the salability of your property. In many markets across the country, over 50% of real estate sales are cooperative sales; that is, a real estate agent other than yours brings in the buyer.

10

Your REALTOR® can help you **objectively evaluate every buyer's proposal** without compromising your marketing position. This initial agreement is only the beginning of a process of appraisals, inspections and financing - a lot of possible pitfalls. Your REALTOR® can help you write a legally binding, win-win agreement that will be more likely to make it through the process.

11

Your REALTOR® can **assist you in the selection process** by providing objective information about each property. Agents who are REALTORS® have access to a variety of informational resources. REALTORS® can provide local community information on utilities, zoning, schools, etc. There are two things you'll want to know. First, will the property provide the environment I want for a home or investment? Second, will the property have resale value when I am ready to sell.

12

Your REALTOR® can help you in **understanding different financing options** and in identifying qualified lenders.

Step 5

The Closing Process

Joette L. Trinh, Esq.
Attorney
Trinh Law

Top 10 Things

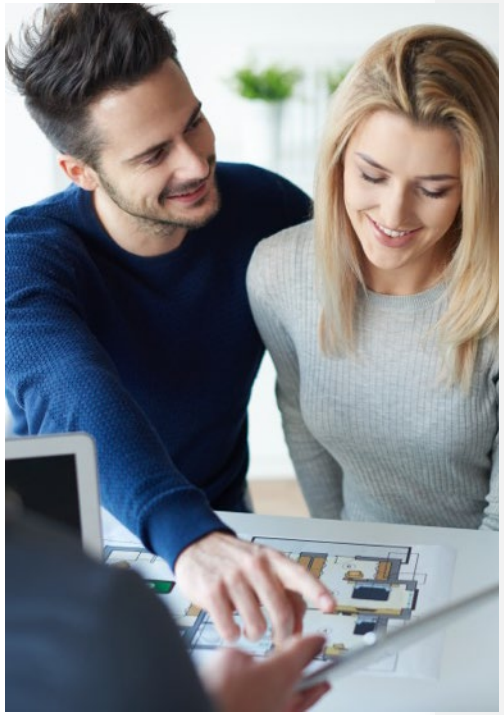
You need to know about the closing process

1

TIME IS OF THE ESSENCE

To avoid delays or a postponement of your closing, be sure to respond to lender and settlement company requests immediately.

Work closely with your lender, real estate agent and settlement professional to avoid delays.



2

YOU HAVE A CHOICE

When it comes to service providers associated with your closing, you have a choice. This includes the company or attorney that will close your transaction and most inspectors, just to name a few. In certain areas, the seller will pay for some closing costs and thus will be entitled to select the vendor(s).

Talk to your lender, real estate agent and settlement professional to obtain additional information about the various service providers and fees.

Top 10 Things

You need to know about the closing process

3

PROTECT YOUR INFORMATION

As an additional security measure to protect your nonpublic personal information, you may receive secured emails from your lender and settlement service provider.

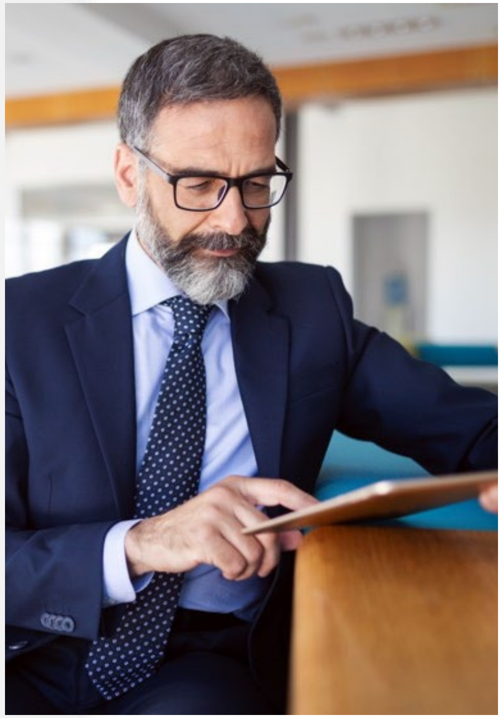
You will need to follow the instructions for retrieving that information (which will likely require you to create an account) and make sure that you return any information through the secured email system.

4

LOAN ESTIMATE

The Loan Estimate (LE) will be sent to you within three days of your loan application. You may receive multiple copies of the LE if there are any changes in circumstance(s).

The terms provided on the LE will also appear on the Closing Disclosure (CD). Lenders are required to explain any changes in fees on the CD.



Top 10 Things

You need to know about the closing process

5 PREPARE FOR CLOSING

Approximately 10 – 14 days before you are scheduled to sign your documents you should be prepared to communicate with your lender, real estate agent and settlement professional. It will be important for you to provide your hazard insurance information.

NOTE: Wiring instructions will be subject to strict verifications to prevent fraud.

Discuss this with your closing professionals well in advance.

6 CLOSING DISCLOSURE

A closing statement called the Closing Disclosure (CD) will be used for most loan applications taken on and after October 3, 2015. The CD will be sent directly to you (buyer/consumer) and not your real estate agent.

The CD is designed to make it easy for you to understand the terms of your loan.

Top 10 Things

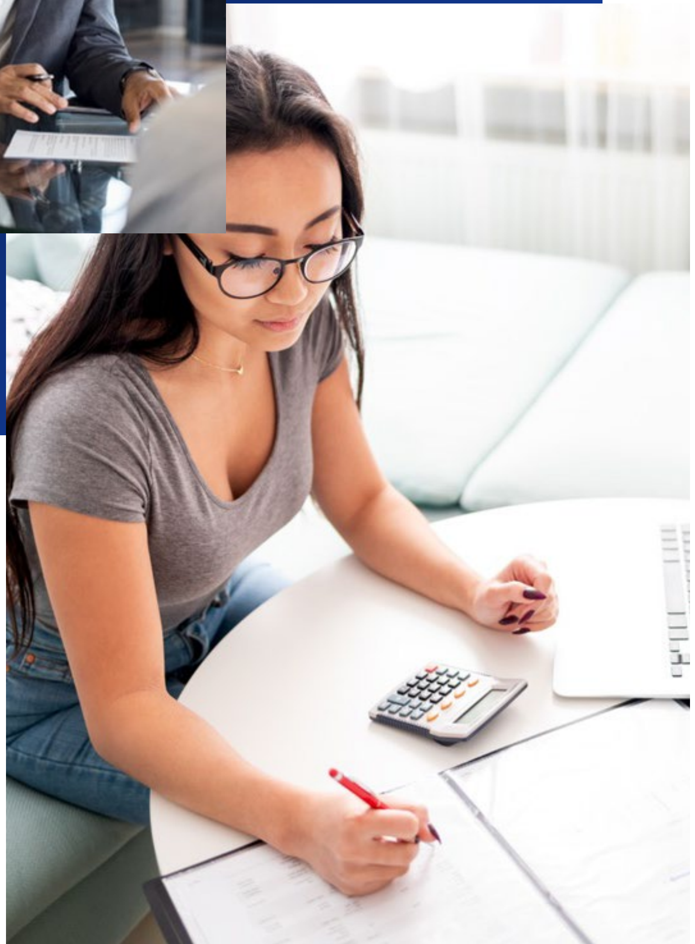
You need to know about the closing process

7 THREE DAY REVIEW PERIOD

- The Closing Disclosure (CD) must be delivered to the buyer/consumer at least three business days prior to the signing the documents.
- If the CD is delivered via email, it is important to acknowledge receipt to avoid additional delays.
- The CD may also be mailed seven days in advance and does not require proof of receipt.
- This time allows you to share it with your agent, attorney and/or financial advisor and ask questions or get clarifications from your lender about the terms and conditions of your loan.

8 OWNERS TITLE INSURANCE

- Lenders typically require their borrowers to purchase a Lender's Policy of Title Insurance for the purchase loan(s).
- The fees are usually based on the amount of the loan(s).
- However, a lender's policy protects only the lender's interests should a problem with the title arise.



Top 10 Things

You need to know about the closing process

9 LENDERS TITLE INSURANCE

- Research the value and importance of an Owner's Title Insurance Policy early on in the process of obtaining a loan and closing on the purchase of your home.
- Homebuyers often assume that the Lender's Title Insurance Policy protects them from challenges to their ownership rights in the property being acquired. This is not the case. Instead, the homebuyer's interests are protected by an Owner's Title Insurance Policy. This insurance coverage typically protects against adverse matters such as ownership challenges, errors and omissions in deeds, forgery, and undisclosed heirs, among other things. It also provides coverage for the attorney's fees that arise where legal challenges to your property's ownership occur. Its cost is typically based on the home's total purchase price, and is a one-time fee paid at closing.

10 ASK QUESTIONS

- This is one of the most important purchases of your life. Do not be afraid to ask questions of your lender, real estate agent and settlement professional.

Contact Us Today for a **FREE CONSULTATION**

We understand buying a home is a big step, but having the right partners can make it as easy as 1, 2, 3!

860-454-4252

info@mortgagemarketscuso.com

Thank You

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