



Corporate Offices and Greece Branch
Canal Ponds Business Park
100 Marina Drive
Rochester, NY

Other branches:

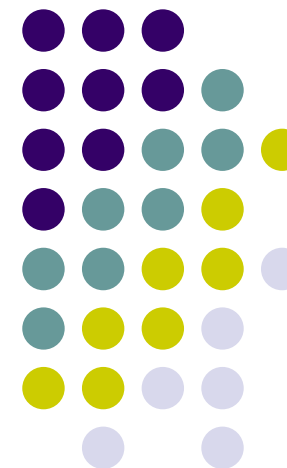
Brighton, Henrietta, Hilton, Irondequoit, Penfield, Seneca Falls,
Clarence and Delaware/Hertel

Board of Directors:

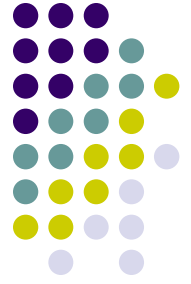
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President & CEO

“Buying Your First Home”

A presentation by
The Summit Federal Credit Union

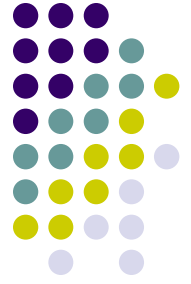


What We Will Cover Today



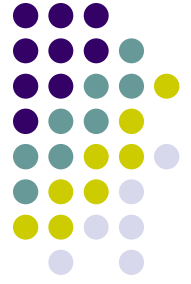
- The advantages of home ownership
- Are you ready to buy?
- Finding the right mortgage
- Qualifying for a mortgage
- The mortgage process
- Why a Summit mortgage?

Advantages of Home Ownership



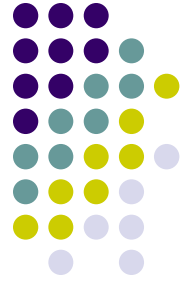
- Owning vs. renting
- A place to call your own
- Stability in your housing costs
- Tax benefits
- Scheduled savings – building up equity
- An asset that may increase in value

The Value of “Home Equity”



If you purchase a home for \$85,000.00 and make a 5% down payment on a 30 year mortgage at 6.50%, after ten years, you would build approximately \$16,500 in home equity.

Annual Housing Costs for the Northeast

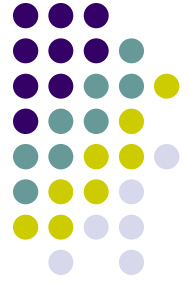
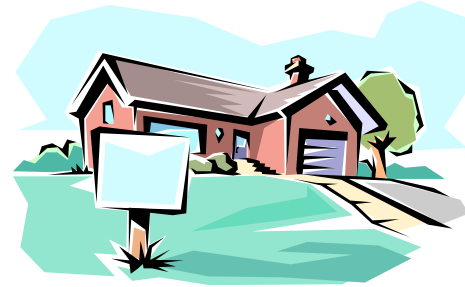


- Utilities, fuel, and public services
- Housekeeping and maintenance
- Household furnishing & equipment
- **Average per month expense - \$650.00**

Source: US Bureau of Labor Statistics 2002



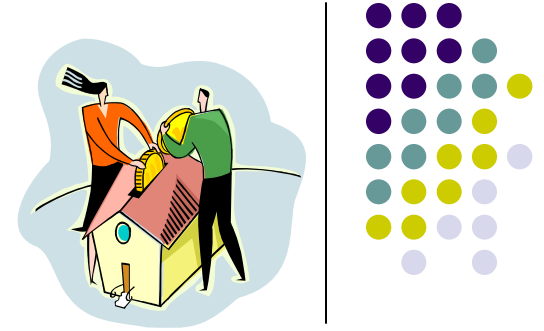
Are You Ready to Buy?



Do you have...

- ✓ A steady job or the ability to make the monthly payments?
- ✓ An established and favorable credit history?
- ✓ Enough money saved for your down payment and closing costs?
- ✓ Money set aside for furnishings and repairs if needed

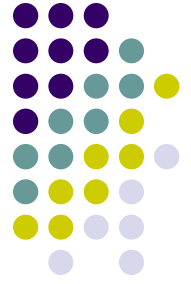
Finding the Right Mortgage



Types of Mortgage Loans

- Conventional
- Government (FHA, VA, SONYMA)
- Fixed
- Adjustable

Conventional or Government?



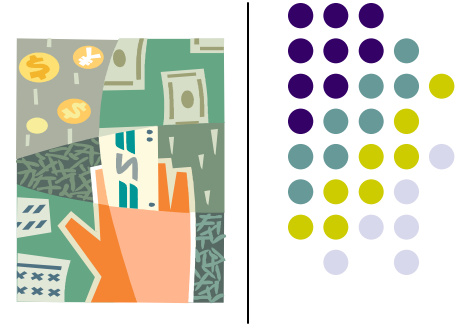
Conventional Loans

- Not insured by FHA or guaranteed by VA
- Higher dollar limits
- No income or geographic restrictions
- Generally lower fees and costs*
- No prepayment penalties or “recapture” provisions

* Excluding Community Homebuyer’s Program



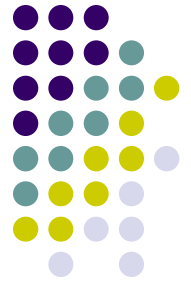
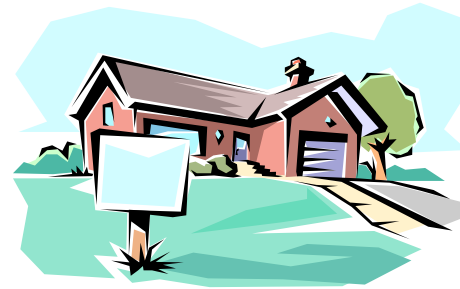
Conventional or Government? (Cont)



Government loans

- Insured or guaranteed by the agency
- Low or no-down payment options
- Flexible mortgage underwriting
- No payment reserves required
- (SONYMA)
- Can include closing costs with the mortgage (FHA)

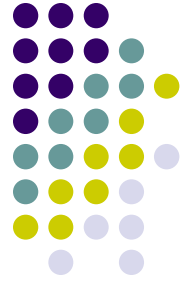
Fixed or Adjustable?



Fixed Rate

- Interest rate will not change over the term of the loan.
- Stability in monthly payment
- No “payment shock” due to interest rate changes

Fixed or Adjustable?



Adjustable Rate

- Lower initial rate (easier to qualify)
- Take advantage of interest rate changes in the market
- Payment can change when interest rates change



Should you pay discount points?

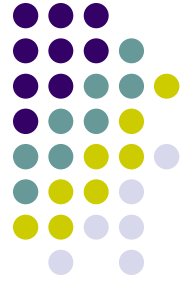
- Lenders charge discount points to lower the interest rate on a mortgage
- The higher the points paid, the lower the rate of interest on the loan
- One point represents 1% of the amount borrowed
- Points represent interest paid at closing versus interest paid over the term of the loan
- Points are generally tax deductible in the year paid



Discount Points Comparison

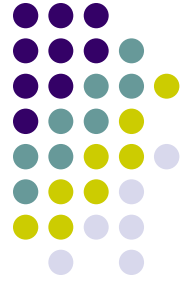
	Zero Point Rate	Lowest Rate
Loan Amount	\$85,000	\$85,000
Discount Points	\$0	\$1,912.50 (2.25%)
Interest Rate	5.75%	5.25%
Monthly Payment	\$496.04	\$472.06
Total Interest Paid	\$93,571.57	\$83,975.89
Interest Difference	N/A	(\$9,595.68)
Cash Difference in Pymt	N/A	(\$23.98)
Months to Recover	N/A	79 months

Mortgage Repayment Terms



- Terms can range from 10 – 40 years
- The shorter the term, the higher the monthly payment amount
- Most purchase mortgages are 30 year terms
- Most refinance mortgages are 15 year terms or less

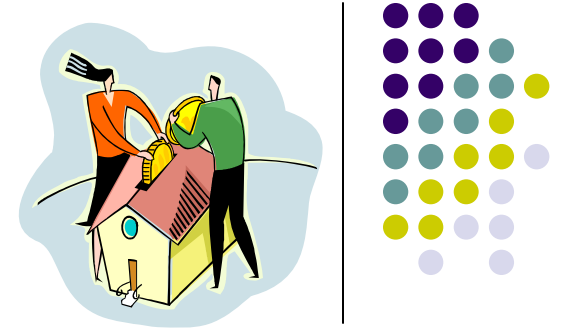
Finding the Right Mortgage



Things to Consider...

- How long will you be in the house?
- Is building equity a priority?
- What will your income be over the term of the loan?
- Is stability in your monthly payment a priority?

Qualifying for a Mortgage



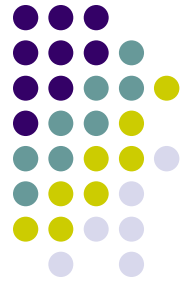
- Down payment (purchase money)
- Equity (refinance)
- Income and job stability
- Credit
- Property

The Down payment



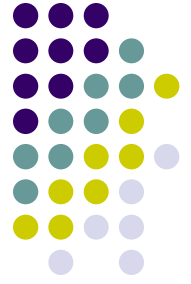
- Represents your contribution toward the cost of buying the home
- Should come from your own saved funds (the first 5%)
- Is still considered one of the major hurdles of homeownership

How Much Cash Will I Need?



- The minimum down payment is 5% of the purchase price for a standard mortgage
- Closing costs are approximately 5% of the purchase price including an escrow deposit
- Plan on needing 10% of the purchase price for a conventional mortgage
- 2 months of reserves (PITI)

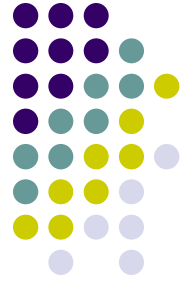
Acceptable Down Payment Sources



- Savings
- Funds from the sale of your home or other assets
- Stocks, bonds, mutual funds, investments
- Cash value of a life insurance policy
- Loan secured by an asset *
- Gift from a family member*
- Tax refunds, bonus income, etc.

* Some restrictions apply

Calculating Minimum Down Payments



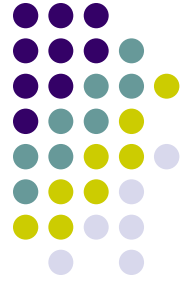
- The Summit uses the purchase price OR the appraised value, whichever is less
- Purchase price or appraised value X 5% = the minimum down payment
- Example - \$85,000 X 5% = \$4,250

How Much Can YOU Afford?



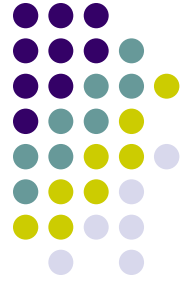
- Most people can afford a house equal to 2 and a half times their gross, annual income depending on their other monthly debts
- Real buying power comes from:
 1. Money saved for the down payment
 2. The income available to make the mortgage payment

The “28/36” Rule



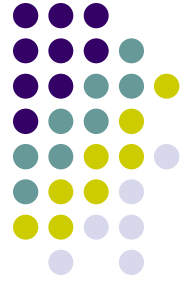
- Lenders use the 28/36 rule to qualify borrower's for the mortgage payment
- These are guidelines only; an excellent credit history and good down payment can make up for higher ratios
- Your mortgage payment (including taxes and insurance) should represent no more than 28% of your gross monthly income

The “28/36” Rule (cont)



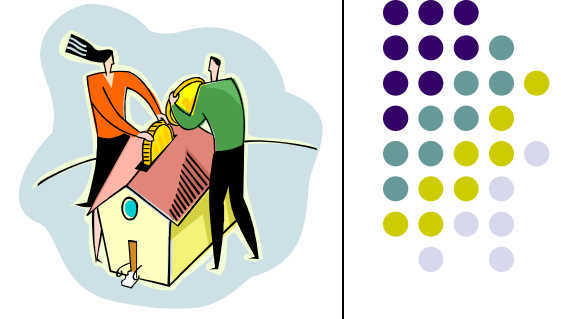
- The amount of your total monthly debt PLUS the monthly mortgage payment should represent no more than 36% of your gross monthly income
- Other monthly debts include regular installment loan payments, credit card payments, child support payments, etc.
- It does not include payments for utilities, car insurance, life insurance, etc.

The Mortgage Application Process



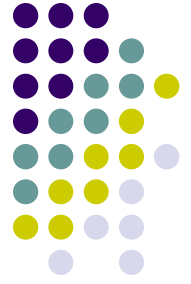
- The loan interview
- Monies needed at application
- Loan interview checklist – what to bring
- What to expect after the interview

Applications Costs



- Appraisal fee – this generally ranges between \$225-\$275
- Credit report fee – this can range from \$12.50 - \$45.00 per applicant
- Lock-in fee – if you plan on locking your rate, a lock-in fee equal to 1% of the amount being borrowed is required at time of lock-in

What to bring to the Loan Interview



- Proof of income
- Proof of assets
- List of Liabilities
- Purchase contract
- Credit explanation
- Other items
 - Divorce decree
 - Gift letter



After the Loan Interview

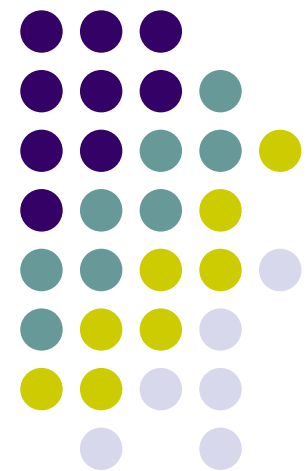
- Credit is reviewed; income and assets verified; appraisal completed
- Once approved, an approval letter is sent to the borrowers and attorneys
- Attorneys will work with sellers and buyers to prepare for closing
- Closing takes place approximately 45 – 60 days from application

Why a Summit Mortgage?



- Local servicing of your mortgage
- Personalized service
- Competitive rates
- Low up front fees
- Automatic Premier Level benefits
- Variety of programs (fixed, adjustable, low down payment option, and zero closing costs option)

**Visit us on the Web at
www.summitfcu.org
or toll-free at
1-800-836-SFCU**



At The Summit, We're Here For You

