



THE SUMMIT FEDERAL CREDIT UNION

Becoming a Homeowner

GETTING STARTED

Is buying a home the right decision for you? How do you get started? How much house can you really afford to buy?

You should not purchase a home unless you feel that you can comfortably make the mortgage payments and the other house related costs. These include upfront costs and on-going costs. Up-front costs include the down payment and closing costs. It can add up to a sizable chunk of cash before you even get the keys to the front door.

On-going costs would be the mortgage payment, utilities bills, taxes, etc. For some, it leaves little left for anything else. All the more reason to take a good look at how much you can really afford.

HOW MUCH HOUSE CAN YOU AFFORD?

The best way to determine how much house you can afford to buy is to set up an appointment with one of our mortgage professionals and get pre-qualified or pre-approved.

A prequalification is determining how large of a loan a person can qualify for based on certain factors. A pre-approval is an actual approval with specific stipulations, such as finding a home, verifying employment and assets. There is a credit report fee due at application, for the pre-approval.

Lenders use guidelines to determine whether a prospective home buyer will be able to pay their mortgage payment. The guidelines state that a household should spend no more than 28% of its income on housing expenses and no more than 36% of its income on total debt obligations. (Including the mortgage payment)

YOUR CREDIT RECORD

Credit Bureaus compile a record of your debts and how you have repaid them. The information is gathered from credit card companies, banks, department stores and other firms.

Your credit history will show how well you have paid your debts in the past. However, having less than perfect credit does not mean that you cannot get a mortgage loan.

DOWN PAYMENT

With every home purchased, a minimum down payment is required. It is part of the purchase price of a home that the buyer pays upfront; not included in the loan. The amount of the down payment required, will depend on the mortgage program that is best for you.

MORTGAGE OPTIONS

Fixed Rate: The interest rate remains the same throughout the length loan. You know that your principal and interest payments will stay the same, but are apt to increase when the property taxes and insurance premiums rise.

Adjustable Rate: The interest rate varies over the term of the loan. The starting rate is lower than the market rate, but can increase or decrease a certain amount at specific intervals, such as once a year.

What is best for you? We can assist you in making this decision.

WHEN LOOKING FOR A HOME

What kind of home do you want to buy? Do you want to be near your work, schools, place of worship or shopping? There are many choices. Be clear beforehand as to what you want and you will not waste time later looking at houses that are not suited to your needs.

Make a checklist of what you want in a home. What features are most important to you?

New homebuyers usually work with a real estate agent. They can provide you with specific information about the neighborhood and will work with you to find a home in your price range.

Take notes on the homes that you visit.

After going through several homes, they will all start to blur together in your memory.

Before you buy a home, visit the neighborhood at various times of the day to get a better understanding of it. It is a good idea to revisit the home before you offer to buy it, as you may find things you did not notice on your first visit.

FINALIZING YOUR PURCHASE

Once you have settled on the home you want to purchase, your real estate agent will prepare a purchase contract. It is signed by you and the sellers, with specified terms and conditions. You will want to obtain an attorney to review the contract and handle your mortgage closing.

It is also recommended that you hire a licensed professional home inspector to go through the house you are considering buying. Make sure the inspector inspects all of the major systems, such as the heating and cooling, the plumbing and electrical. You should be aware of potential problems or repairs. It is not their job to appraise the property, but to tell you, as best as they can determine, if the house is in sound condition.

When your contract has been approved by your attorney and the home inspection is completed, you will then contact your Loan Officer to finalize your mortgage approval. We would require a copy of the contract to purchase and a check for the appraisal fee.

At this time, you may elect to lock your interest rate. With all of our mortgage programs, we collect 1% of the mortgage amount as a rate lock fee at the time you lock your interest rate. This fee is refundable at closing or may be credited to your closing costs.

APPROVAL TO CLOSING

Our next step would be to order an appraisal of the property. This is to determine the market value of the property. In the final approval process, we will verify employment, assets, review the appraisal and if all is satisfactory, we will do a final approval.

Once all of the conditions of your commitment are met and then the last step in the process will be the mortgage closing. You will be asked to obtain homeowner's insurance and the attorney's office will instruct you on what is needed to bring to the closing. This is when you sign the mortgage paperwork, pay the closing costs and the property ownership is transferred to you.

We hope this information is helpful as we guide you through the mortgage process.

If you have more questions, please contact The Summit's Mortgage Office at (585) 453-7010 or (800) 836-SFCU extension 7010.