



WHAT YOU NEED TO KNOW ABOUT BUYING A HOME

VA DESERT PACIFIC
FEDERAL CREDIT UNION



Preparing to Buy a Home

ARE YOU READY?

Buying a home has many benefits. You become the ultimate decision-maker, your payments get you closer to home-ownership and your mortgage can be tailored to fit your budget. However, before you buy a home, you need to consider whether this is the best financial option for you.

Ask yourself:

- Are you planning on any major life changes in the near future? Are you planning to relocate, start a family or change jobs? Big changes like these should make you think about what kind of home you want and how much you'll be able to spend on it.
- How long can you commit to staying in a home? We suggest committing a minimum of five years to a home you purchase.
- Do you have a steady income? Missing mortgage payments will lower your credit score.
- Can you handle major home repairs, insurance and other costs that come with owning a home? This can affect the value of your home as well as the well-being of those living in it.

All of these factors can impact whether you should buy a home and what sort of home you might consider buying. Having a set, stable financial and life plan for the next several years will make home-ownership a little easier, although the final decision is up to you.

DETERMINING YOUR DOWN PAYMENT

How much you will need for a down payment depends on a few things such as the type of loan and the cost of the house. Typical loans require you to put down at least five percent of the house price, but others, like FHA loans, may only require you to put down 3.5 percent and often time VA loans do not require the buyer to put any money down. It's important to know that the more you put down initially, the less you'll have to spend on interest.

Along with your down payment, you'll also need to consider closing costs and other fees associated with securing your loan. To be safe, estimate spending an additional 2-5 percent of the home's value on closing costs.

Finding the Best Mortgage

VA Desert offers four types of mortgages: a fixed rate mortgage, an adjustable rate mortgage, FHA mortgages and VA mortgages. Each mortgage option has a different rate type and term length. Before you apply for a mortgage, you want to have an idea of which type of mortgage is best for you.

FIXED RATE MORTGAGE

If you are planning on staying in the home for more than five years and want the security of a monthly mortgage payment that will never change, a fixed rate mortgage is a smart choice. Your property taxes and homeowner's insurance may increase over time, but your principal and interest payments will stay the same.

ADJUSTABLE RATE MORTGAGE

If an initial lower interest rate and lower monthly payment appeal to you and you are not concerned with potential rate increases or you only plan to be in the home for the initial period, you may want to consider an adjustable rate mortgage. These types of mortgages feature an interest rate that changes at specified intervals (i.e. every six months or every year) depending on changing market conditions. If interest rates go up, your monthly mortgage payment will also go up. However, if rates go down, your mortgage payment will also drop.

The starting rate for an ARM is generally lower than the rate offered on a standard fixed rate mortgage. With lower initial interest rates, initial monthly payments will be lower, so you may be able to qualify for a larger mortgage amount.

Common types of ARMs are as follows:

7/1 ARM

A loan with a fixed interest rate and monthly payments for the first seven years and then an annual adjustable interest rate for the remaining 23 years.

3/1 ARM

A loan with a fixed interest rate and monthly payments for the first three years and then an annual adjustable rate for the remaining 27 years.

FHA MORTGAGE

FHA (Federal Housing Administration) mortgages offer low down payments and income, asset and credit qualifying criteria that may be more attractive to buyers whose mortgage needs fall within the FHA regional loan limit guidelines.

FHA is a fixed-rate or adjustable-rate program with a down payment of 3.5 percent of the purchase price. Because qualifying ratios are more lenient, you are able to be approved for a larger loan amount with less income. There are loan amount limitations that vary by region across the nation.

VA MORTGAGE

VA loans are special loans designed to help veterans become homeowners. These loans guarantee a portion of the mortgage loan allowing the borrower to not have to make a down payment. Each eligible veteran is granted a dollar amount of entitlement, which can be used in place of a down payment on a home and can result in a loan for 100 percent of the purchase price.

Getting Pre-Approved

By getting pre-approved, a lender is saying to you and whoever you buy a home from that you are a good candidate for a mortgage. By getting pre-approved you also gain a better understanding of what you can afford before you fall in love with a home. Other benefits of getting pre-approved include making your offers stronger and expediting the mortgage process.

WHAT YOUR LENDERS CHECK

When getting approved, VA Desert Pacific will assess your assets, your income and your credit. This tells us how much home you can afford, how risky the mortgage is and whether you have assets that can be turned into cash in a worst case scenario.

HOW TO GET APPROVED

With VA Desert Pacific, you can choose between three levels of approval: pre-qualified approval, verified approval and rate shield approval.

Prequalified Approval

This is the easiest way to show you're financially capable of purchasing a home, although it does not mean you've officially been approved. It's done online, you answer a few questions and give us permission to pull your credit report. If you're pre-approved, you can print a letter to show your real estate agent so you can start house hunting.

Verified Approval

A verified approval can strengthen your bargaining position. Through this process a loan officer will take 24 hours to verify your assets and income. Then you can show this letter to the seller as proof that you will most likely be approved for a loan of the listed amount.

Making an Offer

While homes have selling prices, it's not uncommon for them to sell at a price higher or lower than is listed. The selling point is often impacted by the amount of money buyers are offering for the home, which is why making a strong offer is important. Here are some factors to consider when making an offer:

- Are there other comparable homes for sale in the same area? This can tell you how much competition you could be facing when making your offer.
- What are other comparable homes in the area selling for? Knowing this can give you a starting point for making your offer.
- How long has the house you're looking at been on the market? This may tell you how eager the sellers are to get rid of their home.
- Will you have to pay for renovations or repairs? You can bargain for a lower price if you have to handle the maintenance before move-in.

WHAT TO INCLUDE IN YOUR OFFER

Once you're ready, you can contact your agent who will help you submit an offer in writing. You'll want to include the following details:

- The address of the home
- Your name and the names of anyone buying the house with you (i.e., your spouse)
- The amount of your offer
- Any contingencies you're requesting (i.e., conditions that must be met before the sale is a done deal), such as a successful home inspection
- Any seller concessions you'd like (i.e., things you're requesting from the seller), such as cash toward closing costs
- Items you want to include in the sale, like appliances and window treatments
- The amount of your earnest money deposit
- Your approval letter, so the seller will know that you won't run into any financing problems
- The date you expect to close
- The date you want to move into the house
- The deadline to respond to your offer

NEGOTIATING THE PURCHASE PRICE

If the seller accepts your initial offer, congratulations, you are one step closer to becoming a homeowner! If the seller sends a counter offer or even rejects your offer, it's up to you how to move forward. You can get in touch with the sellers to see how willing they are to continue negotiating. Assuming the sellers are willing to continue negotiation, you can also re-address not only the cost of the home, but also factors such as the move in date or repairs.

Don't forget, it's okay to walk away. Don't feel obligated or pressured to meet conditions you know you can't comply with. A home is a long-term purchase and it's important that you do what's best for you.

Preparing to Close

There are three things you'll want to do before closing on your home:

SCHEDULE A HOME INSPECTION

A home inspection isn't a mandatory step for getting a mortgage, so you will be expected to schedule one if you want one. They usually cost \$200-\$500, but it can save you some trouble and money in the future.

A home inspection is used to make sure basic components of your home, like your heating systems and appliances are working properly. When you have your home inspection make sure to bring all your questions since you'll have an expert there to answer them. They should be able to show you any points of concern and tell you how to get them fixed.

GET AN APPRAISAL

VA Desert Pacific will order an appraisal on your behalf to make sure you are not paying more than the home is worth. The appraiser is an independent third party that assesses the value of your home for another \$250-\$600.

UNDERWRITING

This is the process of verifying your assets, income, debts and property details before issuing the final approval for your mortgage. Most of this happens behind the scenes, but it's possible that you will be asked for additional proof of income and assets. It's best to get these documents to us as soon as possible so the process is not slowed down.

Closing on Your Home

PAPERWORK

In the closing process, a title agent reviews the settlement statement with you. This document includes all the final costs for the purchase. You will sign all documents such as the mortgage or deed of trust, note, Truth in-Lending Disclosure and other miscellaneous closing documents.

If necessary, you will give the closing agent a certified or cashier's check for the down payment and closing costs. This could have also be sent via a wire ahead of closing. It's important to acknowledge that you've received these documents as soon as possible. We are legally required to give you the Closing Disclosure three business days before closing, so if you don't acknowledge that you received these documents as soon as possible, your closing could be delayed.

FINAL WALK-THROUGH

Generally, you'll have the opportunity to do a final walk-through the day before you move in. You will want to take this opportunity to ensure that the home is in the condition that was stated in your purchasing agreement. Consider asking these questions when you take your final look:

1. Were all the repairs made?
2. Was anything left behind that should have been removed?
3. Was the property damaged by the sellers in the process of moving out?
4. Do all the lights and faucets work?
5. Does the garage door open?

If you find any major issues you can delay the closing or contact the listing agent to come to a solution.

WHAT TO BRING TO A CLOSING

1. Your driver's license or another valid government-issued photo ID
2. A cashier's check or proof of wire transfer to pay your down payment and closing costs
3. Your Closing Disclosure to compare to the final paperwork
4. A list of key contacts, like your agent and lawyer, in case you have any questions.

WHO SHOULD BE THERE

All buyers should be present, although it is possible to close if you can't be present, but you'll need to give someone power of attorney.

In some states, the buyer and seller will both be at the closing. This is not a requirement in California, so you may just be interacting with the closing agent, a third party that will facilitate the closing. You can bring your real estate agent, but it's not required.

WHAT YOU'LL PAY FOR AT CLOSING

At this time you will get the keys to your home and you'll need to pay any closing costs. Here's a list of the most common closing costs:

1. The down payment
2. Escrow funds
3. Third-party fees
4. Per diem interest
5. Homeowners association fees
6. Discount points

Managing Your Mortgage

Every month you'll make a monthly payment that will go to VA Desert Pacific. This money will go toward paying back the amount you borrowed and the interest on the loan. Occasionally, this will include mortgage insurance. Your mortgage statement will show you how your payment is broken up.

Your monthly payment will be due on the first day of every month with your first payment due the first of the second full month following closing. Example: You close your home loan on September 15th, your first payment will be due on November 1st.

HOW TO HANDLE A MISSED PAYMENT

VA Desert Pacific has a grace period of 15 days, so try to get your payment in as soon as possible to avoid late fees. Also, a late payment will have a negative impact on your credit score.

For questions about mortgages and the home-buying process please contact your local VA Desert Pacific Federal Credit Union Branch at **(800) 993-VADP (8237)**.

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