

# Path to Homeownership



At BankFund, we have helped thousands of members on their home ownership paths and now we want to walk you through the process of purchasing your home.

We've prepared this guide to help you achieve this milestone.

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## Deciding to Buy a Home

### Renting vs. buying

When debating between renting vs. buying, you need to think about your lifestyle and finances. While renting can provide more flexibility, owning a home enables you to build equity in the property and may provide tax benefits. At BankFund, we are ready to assist you with your buying process. Did you know we offer loan programs to members new to the United States even with no or limited credit history?

## Starting the Process

Here are some steps to help you prepare to buy your first home:

- Save money for a down payment. Did you know we have a First-Time Home Buyer Program that could help you with the downpayment? Read more at [BFSFCU.org/mortgages](https://BFSFCU.org/mortgages)
- Save for additional home-buying costs (inspections, insurance, deposits, etc.)
- Consider improving or building your credit history with at least three tradelines (read more in the credit scores section):
  - Apply for a BankFund Credit Card (visit [BFSFCU.org/creditcards](https://BFSFCU.org/creditcards) to learn more)
  - Apply for a BankFund Personal Line of Credit
  - Apply for a Small Personal Loan
  - Apply for an Auto Loan
- Schedule an appointment with a BankFund Mortgage Loan Officer to discuss mortgage options
- Get prequalified/preapproved for a mortgage loan
- Find a real estate agent
- Start looking for homes!

### How to find the best loan options for you

At BankFund, you can choose from several types of mortgage loans to finance your home purchase. A BankFund Mortgage Loan Officer can help you understand the differences between the various loan options so you find one that best suits your financial situation.

### Get prequalified or preapproved

A prequalification/preapproval gives you an estimate of how much you can borrow based on your income, employment, credit, and bank account information. A preapproval also gives you a competitive advantage because home sellers often prefer preapproved buyers as it demonstrates your seriousness and





financial capability. Giving you an advantage in the competitive housing market.

Visit [BFSFCU.org/preapproval](https://www.bfsfcu.org/preapproval) to learn how a preapproval can help you buy a home faster.

## Documents and information needed to apply for a mortgage

Mortgage loans usually require documents that verify your employment, income, and assets, and may include:

- Two recent payroll statements
- W-2 forms for the past two years
- Bank statements for the past two months (to document down payment and closing costs)
  - Assets held overseas that will be used for down payment and closing costs must be transferred to the U.S. at least 7 days before settlement
- One to two years of federal tax returns
- A signed contract of sale (if you've already chosen your new home)
- Information on current debt, including car loans, student loans and credit cards



## Credit Scores and Credit Reports

BankFund uses your credit report to evaluate your mortgage request and determine how you have handled your credit obligations in the past. You can obtain a copy of your credit report (though not your credit score) from [AnnualCreditReport.com](http://AnnualCreditReport.com).

### Qualifying for a mortgage with less-than-perfect credit

We may be able to help you buy a home, even if your credit isn't perfect. Keep in mind that lenders don't just look at your credit history, but also at your ability and willingness to pay in the future.

### Qualifying for a mortgage with little or no credit history

At BankFund, we have mortgage programs available to borrowers with no or little credit. Speak to a BankFund Mortgage Loan Officer to learn more and discuss your options.

### How to stop other lenders from calling and bothering you

When a lender pulls your credit report, the credit bureaus will sell your information to other mortgage lenders which may result in a significant increase in calls and/or text messages from those other mortgage lenders. To avoid this, you can contact the credit bureaus directly and request to be placed on a "Do-Not-Call" list or by visiting [www.optoutprescreen.com](http://www.optoutprescreen.com) or calling 1-888-5-OPTOUT.

## Preparing a Down Payment

There is no set percentage that is needed for a downpayment. In fact, BankFund's First-Time Home Buyer Program requires as little as 3% down. We also offer many loan programs that can be tailored to fit your needs and financial resources. Keep in mind that for down payments of less than 20% on conventional loans, Private Mortgage Insurance (PMI) will be required.

Additionally, you may be eligible for a down payment assistance program in the form of interest-free loans. Depending on the program, you may be required to reside in the subject property for a set number of years.

### Using a gift from a family member to help with the down payment and closing costs

Most conventional mortgage loans allow homebuyers to use gift money for their down payment and closing costs as long as it's a gift from an acceptable source, such as family members. The gift donor(s) will have to complete and sign a Gift Letter, and provide documentation verifying the source of the gift funds. Gift funds can be deposited in the borrower's account or wired directly to the settlement attorney. Gifts are not permitted on investment properties.

### Types of funds that can be borrowed for down payment

There are several different ways that you can borrow money to cover your down payment. However, you'll want to carefully weigh the trade-offs, as this path often involves increasing your overall debt and monthly payments, and some types of loan programs won't allow you to use borrowed money for a down payment. Typically, the borrowed funds are secured by an asset. Examples include:

- A HELOC or home equity loan (either on the subject property or another property you own)
- An auto loan (using the equity in your vehicle to obtain cash)
- 401(k) loan

## Finding the Right Home

Once you know what you want out of a home, determining your housing budget is crucial. After working with your Loan Officer to determine the purchase price you qualify for, your real estate agent will help you find the right home based on all these factors.

## Choosing the Best Mortgage Loan

Our mortgage rates are updated daily to give you the most current rates when choosing a home loan. Our competitive mortgage rates are backed by an experienced staff of mortgage professionals, so you can feel confident that you have the most up-to-date information you need.

### Fixed- vs. adjustable-rate mortgages (ARMs)

With a fixed-rate mortgage, the interest rate is set when you take out the loan and will not change. With an adjustable-rate mortgage, the initial interest rate is typically lower than a fixed-rate mortgage and will be fixed for a set period (3 years, 5 years, 7 years, or 10 years). After the initial fixed-rate period the rate will go through periodic rate changes which may result in an increase or decrease in the interest rate.

### Understanding discount points

When you are ready to lock your interest rate, you will be able to choose a lower rate with discount points or a higher rate with a lender credit.

When you pay a discount point, you are essentially paying part of your interest to the lender upfront. This will lower your interest rate, as well as your monthly payment, over the life of the loan. One discount point is always equal to 1% of the loan amount. For example, one point on a \$100,000 loan would require payment of \$1,000 at closing. The longer you plan to remain in a property or hold your mortgage, the more advantageous it is to pay points.



## Understanding lender credits

When purchasing a home, one way to reduce your closing costs is to opt for a lender credit. When you choose to use lender credits, the lender will reduce your closing costs and, in return, you opt for a higher interest rate. This is recommended when you want to put less money down.

## How to compare mortgage offers

When comparing mortgage loans among different financial institutions, it is very important to look at all the details. We often see lenders quoting a lower rate but charging an exorbitant amount on closing costs to compensate that, making the borrower pay for that “lower rate” upfront. Make sure you are doing a fair comparison and ask your lender to provide a loan estimate with the following information:

- Loan amount
- Quoted interest rate
- Closing costs
- Prepaid interest
- Third-party fees
- Escrow expenses
- Monthly payment estimate

The Recording Fees and Transfer Taxes you pay on the property, as well as the settlement attorney fees will be the same regardless of which lender you choose. Therefore, it's best to compare the interest rate and the lender-specific fees to determine which is the best offer.



# Closing on Your Mortgage Loan

## Calculating closing costs

Closing costs are determined by numerous factors, such as location of property (Recording Fees and Transfer Taxes), type of property (house versus condo), settlement attorney fees, etc. There are many online tools available to get a rough estimate of closing costs, but we encourage you to schedule an appointment with a BankFund Mortgage Loan Officer for a more accurate estimate.

## Understanding what are “reserves”

Reserves for mortgage loans are assets that you have easy access to if you were to need help covering your mortgage payments. These assets are money you have left over after you make a down payment and pay closing costs. Reserves are measured in months. The minimum reserves requirements will vary according to the mortgage transaction, but they can be anywhere from 0 to 6 months.







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