

MORTGAGE OPTIONS

INTEREST:

- Fixed-rate: the interest rate will stay the same for the life of the loan
- Adjustable-rate (ARM): has a low fixed rate for the first 3, 5, 7, or 10 years, then will change regularly and could increase or decrease

LOAN TERMS:

- Most mortgage lenders offer loan repayment options of 10, 15, 20, or 30 years

TYPES:

- Conventional: private investors
- Government-backed: FHA, VA, USDA

PLAN FOR ONE-TIME UPFRONT COSTS WHEN YOU CLOSE ON YOUR HOME

- Closing costs: 2-6% of the total loan amount
- Home inspection: ~\$300-\$500
- Appraisal: ~\$300-\$700

PREPARE FOR HOME MAINTENANCE AND REPAIRS

- It's recommended to set aside 1%-4% of your home's value each year for maintenance and repairs. Ask friends and neighbors for business and contractor referrals and compare prices.

NOTES

CONTACT US

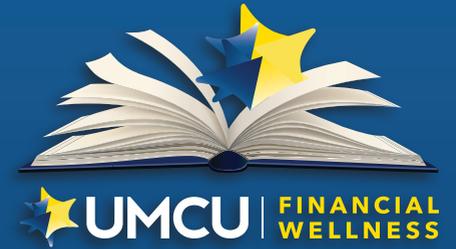
IF YOU HAVE QUESTIONS
OR NEED ANY RESOURCES



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HOME BUYER EDUCATION

Playbook^{xx} for
Prosperity_x

TRUTH OR MYTH

1

Getting preapproved for a mortgage helps you negotiate better.

Truth - Sellers normally take offers more seriously when you're preapproved, because it shows you're financially qualified and serious about moving forward.

2

The monthly mortgage is the only cost of owning a home.

Myth - You'll also pay property taxes, homeowners insurance, maintenance, utilities, possibly homeowners association (HOA) fees, and private mortgage insurance (PMI). These costs might be included in your mortgage payment or paid separately.

3

Making one extra mortgage payment each year can significantly shorten your loan term.

Truth - Extra payments made during the year will be applied towards your principal balance, which will decrease the loan term and reduce the total amount of interest you pay.

4

It's a good idea to work with a real estate agent to help with a home purchase.

Truth - Realtors can help you search for the right home and guide you through the negotiations and real estate transaction.

5

Property taxes and homeowners insurance for your home will stay the same every year.

Myth - It's common for property taxes and homeowners insurance to increase every year. The home's value and other factors could impact both of these, but it's important to consider this for your budget.

6

You should get quotes from multiple lenders.

Truth - Mortgage rates, fees, and terms can vary by lender. Shopping around can ensure you get the best deal for your loan. Try to have the mortgage applications done within a two-week period to minimize the credit impact.

GET READY TO PURCHASE A HOME

What are the key steps to buying a home? Consider this outline:

- 1) Assess your financial readiness
- 2) Get pre-approved for a mortgage
- 3) Start house hunting
- 4) Make an offer and secure financing
- 5) Close on your new home

Also, working with both an experienced mortgage lender and real estate agent will ensure a smooth process.

HOME BUDGET

Determine an affordable and sustainable monthly payment while factoring in other essential expenses

- Strive to keep housing expenses (mortgage, home insurance, property taxes, HOA, and basic utilities) between 35%-40% of your net pay

CREDIT

Higher credit scores make it easier to qualify for a mortgage - and at lower rates

- In general, a minimum credit score of 620 is required to get approved for a mortgage
- Credit scores of 720 and higher may qualify for the best/lowest interest rate
- Check your three full credit reports for free at www.annualcreditreport.com or call (877) 322-8228

DEBT-TO-INCOME (DTI) RATIO

Lenders may require a DTI ratio of 36-45% or less

REQUIRED DOWN PAYMENT

Calculated as a percentage of the purchase price

- Down payments are normally 3-20% of the home price
- 20% or more down will eliminate the private mortgage insurance (PMI) requirement for conventional loans
- Michigan and other states have down payment assistance programs for qualified borrowers

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