

DUGOOD FEDERAL CREDIT UNION

FIRST TIME HOME BUYER'S GUIDE

SO, YOU'RE BUYING YOUR FIRST HOME...

How are you feeling? A little excited, a little nervous?
Don't worry—you've come to the right place!

Just think of us as a friendly guide, here to help
with your home buying journey. Inside, you'll
learn how to pick a realtor, what to look for when
you're house hunting, and how to prepare.

Let's get started finding the
home that's right for you!



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RENTING VS. OWNING

Are You Currently Renting?

Buying a home is a big decision – it's likely one of the largest purchases you'll ever make. So, how do you know if you're really ready?

Right now, your landlord is paying for many of the costs associated with your apartment or rent house. As a homeowner, here are a few of things you'll be responsible for:

- Monthly mortgage payment
- Property taxes
- Flood, wind storm, and other types of insurance
- Upkeep and repairs
- Water, electricity, trash
- Lawn care and outdoor maintenance
- Pest control

Making the Transition Successfully

Breaking your lease can be quite costly! So, it's best to start house hunting when you're near the end of your leasing period. Keep in mind finding a house can take time. If the home is already vacant, you may be able to move within a few weeks. On the flip side – you may fall in love with a house whose occupants are still searching for their next place too.

Do you want a house that's move-in ready? Or, are you open to a home that needs a little TLC? If you plan on making updates, it might be more comfortable to live in your rental while working on your new home. It's also much easier to make changes when the house is not filled with boxes and furniture.

When you're shopping for your home, be as flexible as your finances will allow. It's always great to have options, so you're not locked in to any one situation.

MORTGAGE TERMS

Learning how to Speak Mortgage

Before we get any further, we'd like to fill you in on some mortgage lingo. Here are some common terms you'll see along your home buying journey.

Mortgage

A loan you take out, so you can purchase a home. A mortgage is a legal contract between you and the credit union, stating that you promise to pay back your loan on a monthly basis.

Amortization

The gradual process of reducing debt over the life of your loan. Amortization happens when you repay the principal (basic loan amount).

Annual Percentage Rate (APR)

The yearly cost of your mortgage, including interest and other charges (such as PMI). The APR is expressed as a percentage.

Appraisal

A written estimate of your home's current market value.

Closing

The conclusion of your home buying transaction when legal documents are signed and money is disbursed.

Closing Cost

Expenses like title insurance, appraisal, processing, and survey fees. These are items you will have to pay for in addition to the cost of your home.

Credit Report

A report from an independent agency that details your credit history and past / present debt. Financial institutions look at your credit report to determine if you're a trustworthy borrower.

Credit Score

Your credit score lets financial institutions know how risky it is to lend money to you. It is calculated using your credit report and a standard formula. Your credit card history, types of credit, bankruptcies, late payments, collections, too many credit lines, or too little credit history all affect your score.

Deed

A legal document that transfers your home from one owner to another.

Mortgage Terms (cont.)

Down Payment

A portion of your home's purchase price that you pay up front.

Earnest Money

A deposit made by the buyer toward the down payment to show good faith when the purchase agreement is signed. In many cases, it is non-refundable.

Equity

The difference between the balance on your mortgage and the actual market value of your home.

Fixed Rate Mortgage

A mortgage with an interest rate and payment that doesn't change over the life of your loan.

Interest Rate

The percentage rate that a lender charges you to borrow money.

Principal

The balance (not counting interest) owed on a loan.

Private Mortgage Insurance (PMI)

Insurance to protect the lender in case the borrower stops paying their loan.

Term

The number of years you have to pay back your loan. In most cases, the term of your mortgage is up to 30 years.

Title Search

An examination of records to make sure that the seller is a property's legal owner and that there are no other claims against the property.

Underwriting

The process of determining the risk involved in a particular loan and establishing suitable terms and conditions for the loan.



FIGURING OUT HOW MUCH YOU CAN AFFORD

Wondering how much home you can afford?

Ultimately, the answer starts with you. How much are you comfortable paying on your mortgage every month? Be sure to consider ALL your expenses – transportation, utilities, insurance, groceries, etc. This will give you a clearer picture of how much you can afford.

Building your Budget

Buying a home is a big investment, and it's important not to overextend yourself. Don't forget to leave room in your monthly budget for home maintenance, taxes, association fees (if they apply), and emergencies. If you're struggling to figure out your price range, one of our friendly Lending Experts is only a phone call away. They can help you decide your ideal price range, and the amount you'll need to borrow to purchase your first home.

Your Financial Report Card

Thought grading ended after graduation? Your credit score is like your financial report card as an adult! Lenders use your credit score to determine what type of loan you'll qualify for. Be sure to check your credit report carefully and call the creditor or credit bureau if there are any errors.

If your credit score is not quite as high as you hoped, sit down and talk with one of our Lending Experts. They'll help you develop a plan to get on the right track.

Get Pre-Qualified before you Shop

Before you begin your house hunt, contact your local branch and ask about getting a pre-qualification letter (PQL). Getting a PQL lets you know your approved price range, so you can shop with confidence. During the pre-qualification process, we'll pull your credit and ask a few questions about your income, financial assets, and any debt you may carry.

And now, We made applying for a home loan EASIER than ever before! With our EZ Mortgage Application, you can apply for a Mortgage, Home Equity, or ANY home loan directly from your phone or tablet.

- Know if you have been prequalified within one day
- Upload all required documents directly into our mobile portal
- Safe and secure access
- Your pre-qualification letter can be sent directly to your realtor
- PLUS, real-time text updates for you and your realtor throughout the entire process

Reach out to a DuGood Lending Expert today!

 Apply Now

Want more information first?

 (409) 726-2126

Or visit: www.dugood.org/ezmortgage





SHOULD YOU WORK WITH A REAL ESTATE AGENT?

Working with a real estate agent can definitely save you time! Your agent will keep you focused on homes that meet your specifications and your price range.

When you're trying to pick an agent, sit down and talk with family and friends. Take the time to interview a few agents before you make a commitment. It's important you feel comfortable with your choice! You'll be communicating quite a bit throughout your home buying journey.

Good Questions to Ask an Agent

- ❓ How long have you worked in real estate?
- ❓ Is this your full-time job?
- ❓ Are you familiar with the area I want to look?
- ❓ How many home sales did you participate in last year?
- ❓ What is your commission?
- ❓ Will you be present at the closing?
- ❓ Will you represent me as the buyer? (Sometimes, an agent will try to represent both the buyer and seller, which is usually not in your best interest)

A good real estate agent will communicate with you frequently, suggest homes and neighborhoods for you to scout, and will notify you when new, relevant listings arise.

Ready to Start Shopping?

Once you've been pre-qualified and have a great real estate agent, it's time to start house hunting! You'll be far more prepared than other buyers, and sellers will love showing you their homes.

COMMON REAL ESTATE ABBREVIATIONS

Getting a little confused by all those abbreviations in real estate listings? Real estate agents have a language all their own. But don't worry- we're here to help you interpret!

| | | | |
|------------------------|-------------------------|--------------------|---------------------------|
| A/C | Air Conditioning | FP | Fireplace |
| Appl | Appliances | GA or Gar | Garage |
| BA or Bth | Bathroom | LR | Living Room |
| BR or Bdrm | Bedroom | PL | Swimming Pool |
| CH/A or CHA | Central air and heat | SF or sq ft | Square Feet |
| DR | Dining Room | WBFP | Wood Burning Fireplace |
| DW | Dishwasher | W/D | Washer and Dryer |
| EIK | Eat-in Kitchen | WW | Wall-to-wall Carpeting |
| Fncd yd | Fenced yard | | |



WHAT TO LOOK FOR IN YOUR FUTURE HOME

As you search for your home, there's much more to consider than just curb appeal. Here are a few things to think about.

Location, Location, Location

Whether you're a busy professional or a stay-at-home parent, it's important to have access to the things you need. Take a look at factors like:

- ✓ Proximity to work
- ✓ Distance to shopping and restaurants
- ✓ Medical care availability
- ✓ Traffic flow, especially during high volume hours
- ✓ Quality of neighborhood and schools nearby
- ✓ Distance to schools, parks, and libraries,
- ✓ Desirability of the area (Are homes holding their value? Is it safe?)

Getting Down to Details

Touring prospective houses is exciting! It's easy to get distracted by a home's appearance and the amenities it has to offer. As you walk through, be sure to:

- ✓ Check the water pressure in the shower and kitchen sink
- ✓ Flush toilets to make sure they work properly
- ✓ See if there is sufficient closet space for your needs
- ✓ Open and shut windows to make sure they seal properly and locks are secure
- ✓ Check appliances to see if they work (It's OK to look inside the refrigerator, dish washer, and stove)
- ✓ Look at the garage or ask about safe parking
- ✓ Take note of blinds or window treatments – your privacy is important, and these items can be very expensive!
- ✓ Ask about the property taxes and monthly utility costs
- ✓ Ask about the foundation. If repairs have been made, is the warranty transferable?
- ✓ Learn if the house has been treated for termites, bugs, and rodents

Consider your Lifestyle

Do you love entertaining? Do you work from home and need a separate office space? Are you planning to grow your family? Your lifestyle needs can help you focus on finding the home that's right for you.

Thinking about the Future

If you don't have children, buying a home near a school may not be beneficial to you now, but it could be great for home resale.

Stay Flexible

Unless you're working with a custom builder, it can be difficult to find a home with everything you want. Make a list and prioritize features that you love. Remember, you can always add or make changes later.



YOU'VE FOUND A HOME YOU LOVE

Now what? It's time to get with your real estate agent and make an offer! Here are a few important factors to think about that may affect your offer amount:

- Length of the time the home has been on the market
- The home's asking price
- Recent area home sales
- Market conditions
- How badly do you want the house?
- The condition of the home

The Perks of Pre-Qualification

A smooth home loan process – it's something that both you and the seller want! When you've received your PQL, sellers know that your offer is solid. Getting pre-qualified in advance also gives you an advantage over other home buyers who are less prepared.

Once you're ready to move forward, your real estate agent will prepare documents that will make your offer official and present it to the seller. Usually, the seller will have a few days to make a decision.

The Move in Date

It's important that both you and the seller agree on the vacancy of the home. Confirm the date that your new home will be available. If the seller asks to stay in the home after closing, you can actually negotiate rent payment.

The ABC's of Making an Offer

Before we continue, here are a few more terms to help explain the process of making an offer:

Purchase Agreement

A binding document that your agent will supply that indicates the amount of your offer. It may also include details like which appliances will stay with the home, and when you'd like to take possession.

Earnest Money

A deposit showing your commitment to buying a home. Typically, the deposit is a small percentage of the asking price that's later applied to the down payment. Your agent will hold the check/deposit (made out to the seller) until the offer is accepted.

Note: Take care when providing the seller with earnest money. In many cases, it is non-refundable.

Counteroffer

The seller's response to your offer. When your agent presents the seller with your offer, sellers can do one of three things:

- Agree to your offer
- Decline your offer
- Make a counteroffer

Sellers can counteroffer with their desired amount – typically within 24 to 48 hours. At this point, you can either agree with their terms or make another counteroffer. This process continues until you make an agreement.



GETTING THE BEST HOME INSPECTION

Why Home Inspection is Important

It's for your protection! We all know that looks can be deceiving. After all, you wouldn't want a home that looked great on the outside, but had serious problems lurking under the surface. A home inspector will go over every inch of the home you want to buy and bring any concerns to your attention.

Finding an Inspector

Picking the right inspector is another important part of your home buying journey. Your future budget depends on it! Take the time to do your research – ask family, friends, and your agent for recommendations. Be sure to find someone who has experience and references and is licensed and insured.

Paying for your prospective home's inspection is part of your responsibilities as a buyer. The cost will vary based on location, property, and optional tests added to the inspection.

A thorough inspection includes:

- Heating
- Cooling
- Septic systems
- Plumbing
- Electrical
- Walls, floors, ceilings
- Foundation
- Roof and gutters
- Insulation
- Ventilation
- Major appliances
- Garage

You may also choose to pay extra for tests that measure radon or carbon monoxide levels. Your home inspector is equipped to administer tests and give you information on the results.

Schedule time to be present during the inspection

It may seem like a hassle, but you'll learn so much about your prospective home. Ask questions as you go along and find out how everything works. The inspection is also the perfect opportunity to thoroughly look at the home and take measurements for window treatments, carpet, or appliances you plan on replacing. At the end of the inspection, the inspector will review his findings with you.

The inspection report rarely comes back perfect

At the end of your inspection, you'll quite likely receive an action list with items that need attention. Before moving forward, you can request that the seller make the needed repairs. If the inspection reveals severe damage, you can also withdraw your offer, get your deposit back, and resume house hunting.

Homeowners insurance is required

In fact, you can't finance a home without it! In order to fully complete the mortgage process, you'll have to provide proof of insurance at your closing.

Depending on your home's location, you may also be required to have separate flood and windstorm coverage. These types of insurance are not usually included with a regular homeowner's policy. Be sure to check the requirements ahead of time, so you'll know the costs involved.

When you begin shopping, start with the company that covers your car. Insurance companies often offer discounts when you have multiple policies. Do your homework – shop around, talk to agents! You may discover a significant price difference for similar coverage between insurance providers.

Homeowners insurance protects your lender's investment, the equity in your home, and your personal possessions. Even though it might take a little time to do your research, it's totally worth it! You never know what life – or Mother Nature will throw your way!

IT'S TIME TO CLOSE YOUR LOAN

Congratulations! You're reached the last step of your home buying journey. The closing marks the completion of the real estate sale and mortgage transaction. It's the official transfer of possession from the buyer to the seller. Shortly before closing, it's customary to take a final walkthrough of the property just to make sure everything is still in good condition.

Review your Closing Disclosure

This document outlines all of the costs you'll pay at closing. Be sure you read it carefully, so there are no surprises and the closing process goes smoothly. You should receive it three days before closing.

What can I expect on closing day?

There may be quite a crowd attending your closing: the seller, the lender, you, the seller's mortgage holder, the real estate agent, the transfer agent (if it's a co-op), and the title company representative. You'll also need to bring your driver's license, a certified check (if applicable), and any additional documents your situation may require.

Here's what to expect at the closing table

You'll sign the documents that put you in possession of your new home, as well as your mortgage documents. Then the credit union will pay the seller for your home on your behalf. You'll receive payment information for your mortgage – and finally your keys! Be sure to keep your closing documents in a safe place for future reference.

SAMPLE CLOSING COSTS

Many factors can affect the closing cost of your new home. Be sure to talk to one of our Lending Experts! Every home loan is different – they'll be happy to take a look and give you an estimate, so you won't be caught by surprise. Here are a few of the fees that you may encounter during closing:

| | |
|---|---|
| Appraisal Fee | Survey Fee |
| Origination Fee <i>0.5%-1% of your loan amount</i> | Home Inspection |
| Credit Report | Pest Inspection |
| Processing Fee | Down Payment |
| Escrow Deposit for Taxes & Insurance | Flood Determination/ Life of Loan Coverage |
| Transfer of Taxes | Recording Fees |
| Title Insurance | Courier Fee |
| Homeowners Insurance | Prepaid Interest |
| Underwriting Fee <i>NOT CHARGED AT DUGOOD</i> | Application Fee <i>NOT CHARGED AT DUGOOD</i> |



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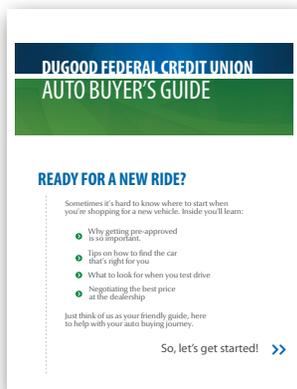
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We're on a mission to save money for our members – and help them achieve their hope and dreams.

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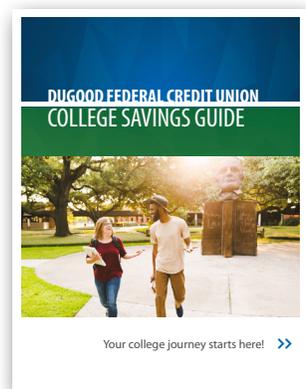
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