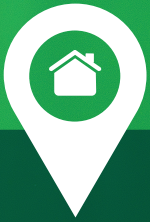


LGFCU
LOCAL GOVERNMENT
FEDERAL CREDIT UNION



Buy or Remodel

Advice you need to help you
get the home you want.

Getting the home you want

Thinking of buying a home? Even if you just want to build an addition onto your existing home, LGFCU is here to help! This guide to homeownership has tips to help you prepare your finances, calculators to help you crunch the numbers on a loan, and put you on solid footing throughout the process.

You'll find the tools you need now and for years to come. LGFCU members enjoy competitive rates and personalized attention. Our No. 1 goal is to help you realize your dream of owning a home. People over profits. **That's the Credit Union difference.**



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FINANCIAL READINESS

How much home can I afford?

Home is the place where memories are made. The financial gains, like building equity to generate wealth and perhaps become eligible for a tax deduction*, are just as precious.

But how do you know if you're financially ready to buy? First, consider how much you can afford in a monthly mortgage. Lenders recommend following the industry-standard 30/43 rule: Spend less than 30% of your gross monthly income on housing expenses like a mortgage and keep your total debt — housing, credit card, car and loan payments — under 43%.

HOW TO APPLY THE 30/43 RULE

To find 30% of your gross monthly income, multiply your gross income by 30, then divide that total by 100. For example:

$$\begin{aligned} \$5,000 \text{ MONTHLY INCOME} \times 30 &= \$150,000 \text{ THEN} \\ \$150,000 \div 100 &= \$1,500 \text{ MONTHLY MORTGAGE} \end{aligned}$$

In this example, \$1,500 is the estimated amount you could afford in a monthly mortgage payment. Your total monthly debt payments, including your mortgage payment, should be no more than \$2,150, or 43% of your monthly income. Make sure you leave yourself some financial wiggle room or what's known as discretionary income.

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Key term: Discretionary income

Discretionary income is the money you have left after all your monthly expenses are paid.

* Contact your tax advisor for additional guidance.



Use a calculator at lgfcu.org/afford to estimate how much home you might reasonably afford.

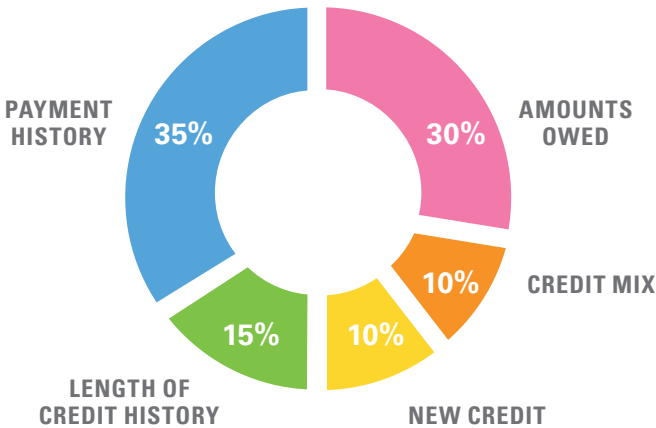


FINANCIAL READINESS

Your credit score and your mortgage

Lenders rely on the five key factors that make up your credit score to determine if you'll get approved for a loan, and at what interest rate: Payment history, outstanding debt, length of time using credit, new credit, and your types of credit. The higher your score, the more likely you are to get approved for a loan at a reasonable interest rate.

FACTS ABOUT YOUR CREDIT SCORE



FAVORABLE CREDIT SCORES:

800 or above = Exceptional

740 to 799 = Very good

670 to 739 = Good

Source: Myfico.com



See details on how to access your credit score and credit report at lgfcu.org/freecreditreport.

FINANCIAL READINESS

Prepare for a down payment

In addition to saving on your own for a home down payment, look for special programs and incentives — especially if you're a first-time buyer — which can help you maximize your savings.

For instance, LGFCU's **First-Time Homebuyers Adjustable Rate Mortgage (ARM)** loan* offers a competitive rate, special financing terms to assist with closing costs, and like all our mortgages, requires no private mortgage insurance (PMI).

If you qualify, the Federal Home Loan Bank of Atlanta (FHLBA) provides matching funds for down payments and closing costs for first-time homebuyers, where the maximum loan-to-value is 100%. FHLBA funds are only available with our regular ARM loan.*

Alternately, you may be able to combine the FHLBA Grant Program with the North Carolina Housing Finance Agency's Mortgage Credit Certificates (MCC).† The MCCs are available only to first-time buyers located in North Carolina and may help you reduce your tax liability. Contact your tax advisor for additional guidance.

If you don't end up using your savings for a down payment or closing costs, you could use the money to cover other new-home necessities.

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Key term: Down payment

A lump-sum payment usually made at the time of your home purchase.

* The FHLBA First-Time Homebuyer Product is available only through our ARM products, and cannot be used with the LGFCU First-time Homebuyers Loan. Mortgage loans are subject to approval. Greater than 90% loan-to-value limited to maximum financing of \$500,000. Additional fee for refinance transactions of 0.50% of the loan amount (no cap). Mortgages are available for properties located in NC, SC, GA, TN or VA. Members must reside in NC or bordering states to be eligible.

† Subject to approval. Available only for first-time homebuyers located in NC.



FAST FACT:

The average down payment for first-time homebuyers has held steady at between 6% and 7% since 2018.

Source: National Association of Realtors®



Find more down payment resources
at lgfcu.org/downpayment.

HOMEOWNERSHIP BASICS

Get to know mortgage rates and loan options

You shouldn't pay more for a home mortgage than you have to, so look around for the best loan rate.

If you want a rate that doesn't change over the life of your loan, consider LGFCU's **Fixed-Rate Mortgage**.*

Alternatively, if you think this purchase will not be your forever home, or you simply want to take advantage of a lower starting rate, consider LGFCU's **Adjustable Rate Mortgage (ARM)**.* Rates are subject to change by 2% every five years, with a cap of 6% over the life of the loan.

Our **First-Time Homebuyers Loan*** is a five-year ARM. Apply for another ARM or a fixed-rate mortgage at any time. LGFCU also has special incentives and programs that can make it easier for first-time buyers to realize their dream.





THE CREDIT UNION DIFFERENCE

LGFCU mortgage loans come with competitive rates and are backed by the Credit Union philosophy of people before profits. That's why you won't find private mortgage insurance (PMI) or points here.



Compare two mortgage loans at lgfcu.org/loanoptions to find which one may be right for you!

Key terms:

Points: Fees paid to the lender in exchange for a lower interest rate.

PMI: A form of insurance paid to the lender to offset losses in case of default. This is usually charged if you have put down less than a 20% down payment.

* Mortgage loans are subject to approval. Greater than 90% loan-to-value limited to maximum financing of \$500,000. Additional fee for refinance transactions of 0.50% of the loan amount (no cap). Mortgages are available for properties located in NC, SC, GA, TN or VA. Members must reside in NC or bordering states to be eligible.

PREPARING TO BUY

The “pre-process”

To show a seller or real estate agent you’re serious about buying a home, you’ll likely want to get pre-qualified or pre-approved for a mortgage loan. The two are different yet important parts of the loan process.

Mortgage loan PRE-QUALIFICATION process	Mortgage loan PRE-APPROVAL process
You’re qualified for an estimated loan amount of what you <i>might</i> be able to borrow.	Your lender has granted a specific loan amount.
A general review of your finances is performed and stated income may be used.	In-depth review of your finances including pay stubs, credit score, debt payments, tax returns, investment accounts, bankruptcies, etc.
Limited credit check performed.	Thorough credit check performed.

Ready to apply for a home loan?

- ▶ Log in to Member Connect and click the Loan Center tab, then Mortgage Center, to apply.
- ▶ Not an LGFCU member? Call or visit a local branch to join and get started. For eligibility requirements, visit [lgfcu.org](https://www.lgfcu.org) or contact 24/7 Member Services at **888.732.8562**.

PREPARING TO BUY

Mortgage application checklist

We believe the home loan application process should be simple. That's why this checklist includes some of the information you'll need when seeking pre-approval for a mortgage loan.

- Social Security Number(s)
- Borrower(s)' Date(s) of Birth
- Gross Monthly Income
- Employer(s)
- Job Title(s)
- Years of Employment
- Current Rental or Housing Payment
- Alimony/Child Support Obligations
- Income Verification
- Insurance Information
- Recent Billing Statement
- List of Assets



Find out more about Credit Union mortgages
at lgfcu.org/homeloans.

Additional documentation may be requested at the time of application.

PREPARING TO BUY

Costs of homeownership

There's more to a home loan than the term and the interest rate. Homeowners insurance, property taxes and other fees can increase your overall mortgage costs, so you'll want to budget accordingly.

At LGFCU, we care about you and your finances. That's why we quote you one set mortgage payment amount, which includes extra costs.* Money for required fees like your property taxes and homeowners insurance is added to your principal and interest payment.

That money is placed into a dividend-earning escrow account each time you make a payment. When it's time to pay those bills, the Credit Union does it for you!



Calculate a possible mortgage payment
at lgfcu.org/payment.

Key term: Escrow

A portion of your monthly mortgage payment held by the lender to pay for expenses such as taxes and homeowners insurance.

* Payment amount may change based on escrow payments and rate adjustments for adjustable rate mortgage loan programs during the life of the loan.

PREPARING TO BUY

Making an offer on a home

The moment you've been waiting for is finally here — you're making an offer on a house. Here's what you'll likely need to complete your offer:

- ▶ Coordination with your real estate agent to prepare an offer based on other area home comparisons, known as comps. Allow time for negotiation with the sellers and their agent.
- ▶ “Earnest money:” This is a good faith deposit to show you're serious about buying the home. This money is usually later credited to the closing costs.
- ▶ Due diligence fee: A fixed, non-refundable fee to give you time to inspect, appraise, and perform “due diligence” to determine if you want to proceed with buying the home.
- ▶ Defined contingency clause: A statement that outlines the health, safety and finance conditions (e.g., appraisal and inspections, and final financing) which need to be met before a real estate closing.
- ▶ Mortgage credits or incentives, if applicable.
- ▶ Expiration date and time of your offer.

FAST FACT:

42% of today's homebuyers make an offer on more than one home before successfully purchasing one.

Source: Zillow Group “Consumer Housing Trends Report 2021”

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Key term: Real estate agent

A person in the business of selling land and buildings.

SETTLING IN: THE CLOSING AND BEYOND

Closing time

After the offer is accepted, the closing is the final stage of your homebuying journey. Here's a checklist to help you close with confidence.

- ▶ **Plan in advance.** Closing is the day you legally purchase and get the keys to your new home. Gather all documents and identification before your closing date.
- ▶ **Take time to review.** Expect to see the full breakdown of closing costs associated with your loan such as the down payment (if provided), mortgage loan interest rate, taxes and homeowners insurance, a few days before your estimated closing date.
- ▶ **Ask questions.** It's important to feel comfortable with answers to key questions, such as, "How will I pay my taxes and homeowners insurance — directly or through escrow?"
- ▶ **Go with your gut.** If a detail like higher comps than originally stated arises, speak up! Ask your loan officer for additional information to support the change.

At LGFCU, we can give you a good faith estimate of the expenses associated with the purchase of your home, such as loan fees, title fees, appraisal fees, etc.

Key term: Closing costs

Fees and expenses due when you close on your house. This can be covered by the buyer or the seller.

Source: Consumer Financial Protection Bureau



Find out more about covering closing costs
at lgfcu.org/closingtime.

SETTLING IN: THE CLOSING AND BEYOND

When refinancing makes sense

If mortgage interest rates drop over time, you may be able to find extra savings on your mortgage through refinancing. Refinancing makes sense when:

- ▶ A lower mortgage loan rate is available.
- ▶ PMI on a non-Credit Union loan could be canceled.
- ▶ A change in loan type — fixed rate to adjustable or vice versa — could yield savings.
- ▶ Mortgage savings can be used to pay off debt.

Know that your refi will cost you time and money. The question is, how long will it take to break even on that investment?

HOW TO FIND YOUR BREAK-EVEN POINT

To find your break-even point, divide your new loan's total closing costs by the anticipated monthly savings. Don't forget to add in any pre-payment fees to the closing costs. You may be able to pay the closing costs with an upfront lump sum payment or have the costs rolled into your new loan. For example:

Total closing costs ÷ Est. monthly savings = Break-even point

$$\begin{array}{c} \$3,000 \\ \text{TOTAL} \\ \text{COSTS} \end{array} \div \begin{array}{c} \$100 \\ \text{MONTHLY} \\ \text{SAVINGS} \end{array} = 30 \text{ MONTHS TO BREAK-EVEN POINT}$$



See what you might save by using a refi calculator at lgfcu.org/reficalculator.

SETTLING IN: THE CLOSING AND BEYOND

We're here for you



Your journey to homeownership is complete. But as your home needs evolve, count on LGFCU to be here for you. Your future options may include refinancing with us, if you're looking for a lower rate or extra savings.

Or, we can help you take care of major home repairs or pay down high-interest debt when you're approved for a home equity line of credit (HELOC)*.

And when it's time for a new home or second home, we've got you covered still.

Not an LGFCU member? Join us! If you're a North Carolina local government employee or volunteer, you can join LGFCU by opening a Share Account. It's a dividend-earning savings account that's the foundation of every membership and represents your ownership in the Credit Union.

Choose a way to request your Share Account:

- ▶ Call us at 888.732.8562†
- ▶ Visit your local branch.

* HELOCs are subject to approval, are available for properties located in NC, SC, GA or VA, and are not available for manufactured homes. Members must reside in NC or bordering states to be eligible.

† Calls may be recorded.

LGFCU[®]
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