



# FIRST TIME HOME BUYER SMARTER GUIDE

## BASIC STEPS:

1. Check Your Credit Score
2. How Much Can You Afford?
3. Find the Right Lender and Real Estate Agent
4. Look For the Right Home
5. Make an Offer
6. Get the Right Mortgage
7. Close on Your Home

## We're here for you!

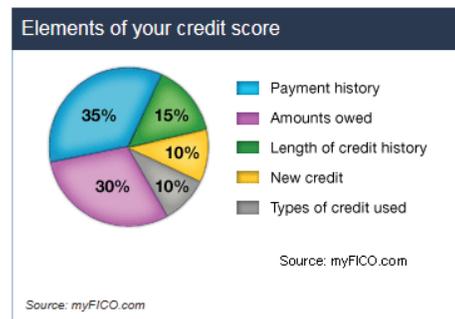
If you have a question at any time during the home buying process, just reach out to one of our professional mortgage loan advisors at [MortgageCenter@LGEccu.org](mailto:MortgageCenter@LGEccu.org) or 770-424-0060 ext. 55110.

## Step 1: CHECK YOUR CREDIT SCORE

Before getting a mortgage or any kind of loan, you should always check your credit score. According to the law, you're allowed to receive one free copy of your credit report per year. You can do this by visiting [AnnualCreditReport.com](http://AnnualCreditReport.com). Scores range from approximately 300 to 850; generally, the higher your score, the better loan you'll qualify for. Don't forget to check your report for errors. If there are any, dispute them. It may help your credit score.

### Better score = Better rates = More money in your pocket

Over 740	Excellent
700-739	Good
680-679	Average
660-679	Below Average
640-659	Poor



## STEP 2: HOW MUCH HOME CAN I AFFORD?

Lenders will calculate how much of your monthly income goes toward debt payments. This calculation is called a debt-to-income ratio. There are several online mortgage calculators that will help you calculate an affordable monthly mortgage payment. A standard rule for lenders is your cost of home should not exceed 28% of your gross monthly income. Costs include: Principal payment, interest, insurance, property taxes, association dues and private mortgage insurance. Additionally, total monthly payment ratio (credit card, personal loans, auto loans, child support, alimony) should not exceed 38% of the applicant's gross monthly income.

### STEP 3: FIND THE RIGHT LENDER AND REAL ESTATE AGENT

The next step is to apply for your mortgage loan. Generally, you will apply online by entering personal information and authorizing the lender to obtain a credit report. After the application is submitted, a loan officer will call you to begin the process of reviewing the information you submitted and provide instructions to submit your loan documentation. If you apply for an LGE mortgage loan and have questions about your application, call us at 770-424-0060 ext. 55110 or email us at [MortgageCenter@LGEccu.org](mailto:MortgageCenter@LGEccu.org).

You will want to obtain a pre-approval (not a pre-qualification) from your lender prior to contacting a real estate agent. A pre-approval indicates to the seller and real estate agents you are credit worthy and have been approved for a loan amount. This could motivate a seller to accept your offer to purchase over a buyer who has not been pre-approved. A pre-qualification is not the same as a pre-approval. A pre-qualification indicates basic information has been provided and has not been verified by your lender.



### HomeAdvantage® Program



LGE's Mortgage Center is proud to offer HomeAdvantage®, an exclusive, free member service that can help you search, buy, sell, and save on your next home. When you use one of the agents in the HomeAdvantage network, you can earn Cash Rewards — an average of over \$1,500 in savings!

Contact LGE Mortgage Center or visit [MyCUHomeAdvantage.com](http://MyCUHomeAdvantage.com) to learn more.

### READY TO APPLY FOR A LOAN?

Complete the online application at [LGEccu.org/Mortgage](http://LGEccu.org/Mortgage), making sure to complete all fields.

We will also need the following from each applicant on the loan:

- Copy of driver's license
- Two most recent pay stubs (must include YTD information)
- Two most recent W-2s
  - If you are self-employed, two most recent year's personal and business tax returns and K-1s, as applicable
- Two most recent month's credit union/bank and/or retirement account statements

\*List is typical and could vary, depending on your exact scenario.

## STEP 4: LOOK FOR THE RIGHT HOME

Make a list of the things you'll need to have in the house. Ask yourself how many bedrooms and bathrooms you'll need and get an idea of how much space you desire. How big do you want the kitchen to be? Do you need lots of closets and cabinet space? Do you need a big yard for your kids and/or pets to play in?

Once you've made a list of your must-have's, don't forget to think about the kind of neighborhood you want, types of schools in the area, the length of your commute to and from work, and the convenience of local shopping. Take into account your safety concerns as well as the rate of home appreciation in the area.



## STEP 5: MAKE AN OFFER

Now that you've found the home you want, you have to make an offer. Most sellers price their homes a bit high, expecting that there will be some haggling involved. A decent place to start is about five percent below the asking price. You can also get a list from your real estate agent to find out how much comparable homes have sold for. Once you've made your offer, don't think it's final. The seller may make a counter-offer to which you can also counter-offer. But you don't want to go back and forth too much. Somewhere, you have to meet in the middle.

Once you've agreed on a price, you'll make an earnest money deposit, which is money that goes in escrow to give the seller a sign of good faith. This deposit is non-refundable to you if you do not purchase the home for some reason. It is important to work with your real estate agent to prepare a solid purchase agreement. Allow at least 45 days from the time the agreement is accepted by the purchaser until you are required to close your loan. This protects you in the event items requiring attention with your loan or the home are discovered.

After your offer to purchase has been accepted, provide the agreement along with any addendums throughout the process to your loan officer. The loan officer will review the contract and begin the process of ordering an appraisal and other items related to your home.

Obtain a home inspection before you close. It will be well-worth the money spent since it ensures the property's structural soundness and good condition.

The appraisal is performed by an independent third party professional that will provide a market value for your home and assist you in your decision to purchase your home. After the appraisal is received, LGE will provide you with a free, no obligation quote for your homeowner's hazard insurance policy through LGE Insurance Services\* for you to compare with a quote from your preferred insurance company.

\*LGE Insurance Services, LLC ("LGEIS") is a wholly-owned subsidiary of LGE Community Credit Union and was formed primarily to provide insurance services to Credit Union members. Insurance products: are not products of the Credit Union; and are not obligations of or guaranteed by the Credit Union; and the Credit Union makes no representations as to the services of any provider.



## STEP 6: GET THE RIGHT MORTGAGE

Adjustable Rate Mortgage (ARM) is a good option if you think you may sell your home before the first or second interest rate adjustment. The interest rate changes after a specified period (5/7/10 years) with a rate cap at each adjustment. Example: A 5/1 ARM means the interest rate will remain the same for the first 5 years and then the rate and payment will be adjusted annually.

Fixed Rate Mortgage is a good option if you plan to stay in your home for the length of the mortgage. Your interest rate does not change.

\*Remember, if you are unable to put 20% down on your purchase you are required to have Private Mortgage Insurance (PMI). PMI protects lenders against loss if a borrower defaults.

## STEP 7: CLOSE ON YOUR HOME

Be sure you talk to your mortgage lender to understand all the costs that will be involved with the closing so there are no surprises. Closing costs will likely include (but are not limited to) your down payment, title fees, appraisal fees, attorney fees and inspection fees.

The final step will be the closing of your loan, which is performed by an attorney. This is a formal process in which you will sign various documents related to your loan application and agreements related to repaying your loan.

Buying a home for the first time doesn't have to be a hassle if you're prepared and you know what to do and when to do it. Choose an experienced home loan lender and a friendly, knowledgeable real estate agent - they are the key to helping you have a smooth home buying experience!



### Contact Us!



**Call:** 770-424-0060 ext. 55110

**Email:** [MortgageCenter@LGEccu.org](mailto:MortgageCenter@LGEccu.org)

**Visit:** [LGEccu.org/Mortgage](http://LGEccu.org/Mortgage)



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