THE COMPREHENSIVE GUIDE TO

Finding | Buying | Financing A HOME

Nothing Means More Than Having Your Own Front Door...




DANNEMORA
DFCU
FEDERAL
CREDIT UNION

Home Sweet Home

Purchasing a home is an emotional journey. After all, you're not just buying a house. You're investing in family dinners, lazy Sunday mornings in bed and a yard built for backyard barbecues on sunny summer afternoons. (Or at least, that's the idea.)

Yes, it's true that a home is where families are raised and memories are made. But the priceless joys of owning a home aren't really priceless at all. The last thing you want is to get in over your head with a mortgage payment you can't comfortably afford. And, on the flip side, you also don't want to buy a home that doesn't comfortably suit your family's needs.

No pressure, right?

In all seriousness, buying a home doesn't have to be scary. But it *should* be approached with a level head, a clear list of priorities, realistic expectations and a whole lot of research.

» **Read on to discover everything you need to know about finding, buying and financing a place you'll *love* – with a payment you can *afford*.**

Home In On Your FIRST HOME

HOUSE HUNTING TIPS

Unless you have a large budget or are incredibly flexible in what you're looking for, finding a home that meets your needs – at the right price, and in the right location – can be a bit like finding a needle in a haystack. Many first-time buyers look forward to the house-hunting process, and then become discouraged when they actually start touring houses.

Keep in mind that almost all first-time buyers end up having to compromise on something, so don't be disappointed if you can't seem to find your idealistic "dream home." Try to think logically – rather than emotionally – about the house-hunting process, and factor into your decision the guidelines below:

REMEMBER THE REAL ESTATE MANTRA: LOCATION, LOCATION, LOCATION!

Almost anything about a house can be changed – except where it's located. That's why it's so important to take a home's location into consideration during your house hunt. You'll likely want a home that's within a reasonable distance of where you work, if possible. And do some research about the area's crime rates and schools, too. These are additional factors that can play a huge role in how happy you are with your purchase.

THINK ABOUT YOUR FUTURE NEEDS.

Homeowners should generally plan to stay in their homes for at least four or five years to break even on closing costs and other fees. So if you have immediate plans to start a family, purchasing a one-bedroom downtown loft (no matter how swanky) probably isn't your best option. Instead, consider how your family or lifestyle may change in the next few years, and strive to purchase a home that can accommodate your future needs.

FOCUS ON FUNCTION.

When touring a home, it can be easy to get sucked in by the house's curb appeal or "cuteness" factor. But try to focus on how the home will function when living there. Is there an entryway closet to stash shoes, coats and other gear? Is there enough garage space to house your vehicles? Does the home have laundry facilities that are easily accessible? These are issues that you might not think about when doing a quick walk-through of a home, but the absence of such features can become a huge source of annoyance once you move in. (And don't make the mistake of thinking your love for a home's aesthetics will make up for its lack of function!)

KNOW YOUR LIFESTYLE – AND BUY ACCORDINGLY.

You may think you want a five-bedroom home with an acre yard – but if you value a low-maintenance lifestyle, a condo or townhome is probably a better fit. And think about what's on the outside of the home, too. Do you enjoy being able to walk to restaurants and shops? Or are you hoping to escape the hustle and bustle of city life? Your home can greatly influence your lifestyle, so make sure it will positively – rather than negatively – affect your everyday life.

CONSIDER LONG-TERM COSTS.

Most buyers gauge a home's affordability based solely on its list price. But some houses come with more expenses than others, and those extra costs can add up over time. If you purchase a condo or townhome – or a house in a neighborhood with a homeowner association – be prepared for monthly fees. If you purchase a home that needs a significant amount of work, think about those costs, too. It's even a good idea to consider a home's size, as heating and cooling larger homes requires higher costs than smaller or more modestly-sized houses. Do the math and ensure you can afford the extra expenses that may come with the home before making an offer.

TAKE RESALE VALUE INTO THE EQUATION.

Few people make their *first* home their *forever* home, so it's a good idea to consider a home's resale value when making your decision. Since location can play a significant role in a home's resale value, buying a house located in a sought-after neighborhood is probably worth your while (*if* the home fits your budget and other requirements, of course). Also, think twice before buying a unique, out-of-the-box home. Highly-customized properties usually don't appeal to the masses, so you might have a difficult time finding a buyer when it comes time to sell.

DISTINGUISH BETWEEN YOUR WANTS AND NEEDS.

Sure, you may want a kitchen with granite countertops and stainless steel appliances, but don't let that take precedence over your needs. Prioritize and try to figure out what you absolutely must have in a home, and what you can live without. Make a list and rank your needs so when you find a home you like, you can make a confident and informed decision about its ability to truly make you happy for the long haul.

TIME TO EARN SOME EXTRA CREDIT

Once you decide you're mentally, emotionally and financially ready for homeownership, it's a good idea to check your credit score, as it will largely determine the terms of your mortgage. If your credit score is lower than you'd like due to missed payments or maxed-out cards, it's in your best interest to put off purchasing a home until your credit score rises.

» With a few strategies and a commitment to smart money management, you can boost your score and save yourself a lot of money in the long run. Just follow these tips:

FIND YOUR SCORE.

Ask your banker/credit union representative for your credit score. Credit scores range from 300 to 850; a score around 700 is considered good, while anything above 720 is excellent. A score below 620 is generally considered poor. Once you know your starting point you can create a goal credit score and map out a plan of how you will get there.

DON'T CLOSE OLD ACCOUNTS.

A part of your credit score comes from how long you've had credit, and the longer a card is open, the higher your score will be. Keep old accounts open; they can help boost your score and balance out newer lines of credit.

PAY DOWN YOUR CREDIT CARD BILLS.

Start by paying down your card with the highest interest rate first, and aim to get all balances below 50% of your credit limit. Since 33% of your credit score is based on the amount you owe, work on relieving your debt in any way that you can.

DON'T OPEN NEW CARDS THAT YOU DON'T NEED.

Avoid opening new cards at department stores or gas stations for one-time promotional discounts. New cards carry 10% of your credit score, and can bring down the average age of your credit, lowering your score even more.

The Basics About Real Estate Agents

You probably already know what real estate agents do: They find houses that meet your needs and interests, tour the properties with you and help you negotiate a purchase price. But many first-time homebuyers have questions about other aspects of real estate agents, such as: Who pays them? How do you find a real estate agent? Find answers to these and other FAQs below:

WHAT IS THE DIFFERENCE BETWEEN A REAL ESTATE BROKER, A REAL ESTATE AGENT AND A REALTOR®?

Real estate brokers manage, own or operate a real estate company. They generally have a high level of experience and must have education beyond the agent level. Real estate agents work for a broker and have taken classes and passed exams to meet the requirements to sell property. Realtors, on the other hand, are real estate agents who belong to the National Association of Realtors (NAR) and have agreed to abide by the association's strict code of ethics.

HOW DO REAL ESTATE AGENTS GET PAID?

As a first-time homebuyer, you likely won't have to pay for a real estate agent's services, as these costs are typically covered by the seller. Here's how it works: Sellers must pay their agent a commission (calculated as a percentage of the home's purchase price), and the listing agent then splits that commission with the buyer's agent. Be aware, though, that if you buy a "For Sale By Owner" property, you may be responsible for paying your agent's commission if the seller does not agree to do so.

IF I'M AT AN OPEN HOUSE AND WANT TO MAKE AN OFFER, CAN I ASK THE LISTING AGENT TO HELP ME?

If you're not already working with an agent – and if a dual agency situation is legal in your state – then the short answer is yes. However, it probably wouldn't be wise of you to do so. In a dual agency situation, one agent represents both the buyer and seller of the property. Obviously, the seller wants to sell the home for the highest price possible. And you, as the buyer, want to purchase the home for the lowest price possible. It is the agent's duty to work in the best interests of his or her client, but you can likely see why that is difficult to do in a dual agency situation. If possible, work with an agent of your own who you know truly has *your* best interests at heart.

HOW DO I GO ABOUT FINDING A REPUTABLE REAL ESTATE AGENT?

The best way to find a real estate agent is to ask friends and family members in your area for recommendations. (If you're new to the area and don't know many people yet, an online search is a good place to start.) Consider meeting with a few different agents to get a feel for how well they listen to you. Also, do some research to make sure any agents you are interested in working with have dealt with homes directly in the areas you want to buy in. Finally, ensure your agent is experienced, but not so busy that he or she won't be able to devote to you the time you need in your home-buying journey.

TO BUY OR NOT TO BUY:
That Is the Question

Owning a home is often touted as the American Dream. But the truth is: Homeownership isn't always rainbows and butterflies. For some, renting may actually be a better option. So before you venture too far down the home-buying path, first take some time to decide whether or not homeownership is right for you.

» Here are some things to consider:

FLEXIBILITY

General guidelines dictate that homebuyers should stay in their home for at least four or five years to break even on closing costs and other fees. For those who appreciate flexibility or plan to relocate within the next few years, renting is likely the smarter choice.

TAX ADVANTAGES

Renters do not receive any tax breaks related to their apartment, but homeowners are able to deduct at least a portion of their mortgage interest.

INDEPENDENCE

When you own a home, you are free to make whatever changes you wish (barring any exceptions from a homeowner association). Such freedoms do not exist for most renters. In addition, homeowners don't have to seek permission from a landlord if they wish to add a pet to their family.

UP-FRONT COSTS

Homeowners should be prepared to pay a down payment, closing costs and other fees when purchasing a home. For renters, the up-front costs are much lower – usually only consisting of a security deposit that might amount to one or two times the monthly rent charge.

EQUITY

Homeowners have the opportunity to build equity in their purchase – a huge benefit when it comes time to sell or if they wish to take advantage of a home equity loan. Renters, on the other hand, will not get back any of the money they pay for the use of their apartment.

UPKEEP

Leaky roof? Failing HVAC system? Broken water heater? As a homeowner, these are your problems – not a landlord's (although a home warranty could help you cover some of these costs). If you don't feel capable of handling these potential situations or simply wish to avoid regular upkeep such as yardwork, an apartment is probably for you.

Mortgage Guidelines THAT MAKE "CENTS"

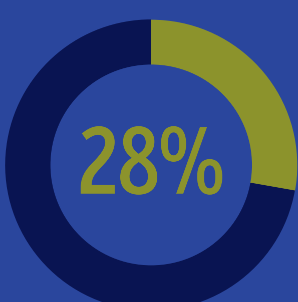
The true cost of homeownership goes far beyond a house's asking price. Be prepared to fork over thousands of additional dollars in interest, closing costs, repairs, renovations, maintenance, insurance, utilities and more. Not to mention, it will of course cost money to furnish your home as well. (People aren't lying when they say buying a home is likely the biggest purchase you'll ever make!)

Obviously, you'll want to ensure you can afford homeownership before you close on a mortgage. Here are some general rules to keep in mind:

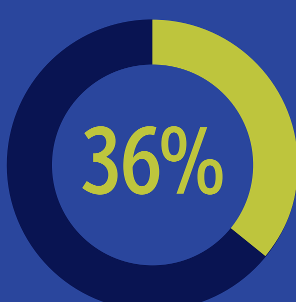
- To keep your purchase affordable, make sure your total monthly housing payment (including your mortgage, homeowner's insurance, property taxes, etc.) doesn't exceed 28% of your gross monthly income. (FYI: Gross monthly income is the amount you make before taxes are taken out.) If your annual household income is $90,000, for instance, divide that number by 12 to determine your gross monthly income. In this example, the gross monthly income is $7,500. Now, multiply that number by 0.28 to determine your maximum monthly housing payment, which equals $2,100 in this scenario.
- Now that you know the maximum amount you should spend on your monthly housing payment, it's time to factor your total debt into the equation. Experts recommend that your total monthly debt payments (including your mortgage and any other debts such as an auto loan or student loan) should not go beyond 36% of your gross monthly income. So don't assume that if your annual household income is $90,000, you can automatically afford a total monthly housing payment of $2,100. Here's an example to illustrate this point:

Based on the 36% rule (and assuming a $90,000 annual household income), the total amount of debt you should pay per month should max out at $2,700. If you pay $700 each month in other debts, then your total housing payment should not exceed $2,000 (to ensure you don't go above your $2,700 maximum). Note that this is $100 less than the amount you might allow yourself to pay if you fail to take this second rule into account.

Here's how to do the calculation for your own situation: Simply divide your annual household income by 12 and multiply that number by 0.36. Then, subtract from that number all your other monthly debt payments. The number you're left with is your maximum total housing payment per month.



HOUSING DEBT
28% OF PRE-TAX INCOME



TOTAL DEBT
36% OF PRE-TAX INCOME

THE LOW-DOWN ON DOWN PAYMENTS

One of the most important financial decisions you'll have to make early on in the home-buying process is determining how much of a down payment you can afford. Some lenders offer low or no down payment options, but putting down 20% of the home's purchase price is ideal. If you put down less than 20%, you will need to pay PMI (Private Mortgage Insurance).

TOP TIPS FOR SELECTING

A LENDER

» With the considerable amount of money at stake when purchasing a home, it's worth your while to carefully select a reputable lender you can trust. Consider the following when making your decision:

Consider going local. Online lenders are plentiful, but a local lender comes with the added benefit of knowing the neighborhoods, properties and real estate professionals in your area. Plus, a local lender is still there for you long after your big move – so you can make payments, ask questions or get other help anytime during the life of your loan.

Research rates. What may seem like a minor difference in rates can amount to thousands of dollars in interest over the life of your loan. Most lenders will have similar mortgage rates, but it's still a good idea to double-check rates and compare.

Ask for recommendations. Friends and family members are a great place to start when it comes to learning about lenders in your area. Ask what they liked or didn't like about their experience.

Think beyond dollars. Yes, interest rates are important. But so is choosing a lender that displays honesty, integrity and a commitment to meeting deadlines and communicating with you throughout the process.

At Dannemora FCU, we genuinely care about our friends and neighbors – and that's why we hope you will consider us when choosing a mortgage provider. Our goal is to make your home-buying process as seamless, stress-free and affordable as possible. When you work with us, you will enjoy:

- Local loans originated, processed and kept in house at DFCU
- Competitive rates
- Flexible terms
- A variety of financing options
- A simple application process
- Helpful guidance from start to finish
- A year-end bonus that returns to you a percentage of your interest paid that year

Our knowledgeable team is ready to make you feel right at home.

Fixed Rate Mortgages | Adjustable Rate Mortgages | Land Loans
Construction Loans | Refinancing | Up to 100% Financing

WHAT'S WHAT?

LOAN OFFICERS VS. MORTGAGE BROKERS

If you've started researching the home-buying process, you've probably heard the terms "loan officer" and "mortgage broker." These professionals play similar roles, but are fundamentally different:

- A **LOAN OFFICER** is an individual who works directly for a bank or credit union and offers loans from the financial institution that employs them.
- A **MORTGAGE BROKER** is not associated with a particular bank or credit union. Instead, they research loans from a number of different sources and enter into mortgage contracts with various lenders.

LEARN THE LINGO:

HOME FINANCING OPTIONS

WHAT'S WHAT?

PRE-QUALIFICATION VS. PRE-APPROVAL

Before beginning your house hunt, it's a good idea to get pre-qualified or pre-approved for a mortgage. Doing so will give you an idea how much you can afford to spend so you won't waste your time looking at houses that are out of your price range. Keep in mind, though, that pre-qualifications and pre-approvals are two very different things:

- Getting **PRE-QUALIFIED** simply means that a lender has provided you with an estimate of the mortgage amount you will likely qualify for. If you choose to purchase a home, you will still have to go through the actual mortgage application process at that time.

- Getting **PRE-APPROVED** requires you to provide a lender with paperwork so they can verify your income, credit, etc. If that lender does decide to pre-approve you for a mortgage, it essentially means you are guaranteed to get a loan up to a specified amount (assuming no major financial changes occur) for a limited period of time.

WHEN IT COMES TO MORTGAGES, ONE SIZE DOES NOT FIT ALL.

Numerous options and programs exist with different terms, features and benefits to suit various buyers. Be a well-informed consumer by familiarizing yourself with these common mortgage types:

Conventional/ Fixed- Rate Mortgage:

A fixed-rate mortgage features an interest rate that remains constant throughout the term of the loan. Most fixed-rate mortgages come with a term of either 15 or 30 years.

Adjustable-Rate Mortgage (ARM):

Adjustable-rate mortgages typically start with a lower rate than fixed-rate mortgages, but after a few years the rate can begin to rise and will fluctuate periodically.

Low Down Payment with Private Mortgage Insurance (Up to 97% for qualified buyers):

These days, it's not nearly as feasible as it used to be for borrowers to put 20% down on a home. There is a way to still buy a home with as little as 3% down – with Private Mortgage Insurance, or PMI. A protective measure for the lender, PMI asks the borrower to pay an insurance premium until the mortgage balance reaches 80% of the home's value, in exchange for up to 97% financing.

Zero Down Mortgage (Up to 100% financing of purchase price for qualified buyers):

For some borrowers, limited cash on hand makes it impossible to come up with any down payment even though they may otherwise feel financially prepared for homeownership. A zero down mortgage covers up to 100% of the cost by combining a traditional first mortgage with a home equity loan.

Selecting the mortgage option that works best for you will depend on a number of factors, including how long you plan to stay in the home, if you're comfortable not knowing what your future payments might be and more. Work with your loan officer or mortgage broker to discuss your goals and lifestyle in relation to these different financing options. By carefully analyzing the pros and cons of each loan type, you can determine a financing option that best meets your needs.

THE 4-1-1 ON FINALIZING THE DEAL

Once you decide you want to make an offer on a house, the home-buying process goes into overdrive. Your real estate agent and lender will guide you through this final leg of your journey, but here's a high-level overview of what to expect:

01 Make an offer.

Your real estate agent will look at comparable homes that have recently sold in the area to help you determine a fair offer price. Depending on the situation and type of home you are purchasing, you will want to consider including an inspection contingency and financing contingency with your offer. Also, remember that including a pre-approval or pre-qualification letter will persuade the seller to take your offer much more seriously.

02 Negotiate.

After you make an offer, the seller can accept it, reject it or make a counteroffer. Keep in mind that closing costs can be negotiated, too. And don't forget to double-check which home features will be staying (like appliances, window treatments, etc.).

03 Sign the contract.

After signing the contract, you must put down earnest money and apply for a mortgage if you haven't done so already. You will then want to have an inspector look at the home to detect any potential problems, and your lender will have the home appraised. You will also need to get homeowner's insurance, which will be required by your lender. For added peace of mind, you might also want to consider a home warranty. This is a contract that will cover repairs or replacements for major home appliances and systems due to normal wear and tear.

04 Complete the final walkthrough and close on the home.

Before closing, you will need to do a final walkthrough of the home to ensure its condition has not changed and that any features that were supposed to be included in the sale are still in place. Next, you will prepare your documents for closing. (Note: You will need to pay your down payment and closing costs via wire transfer or cashier's check.) Finally, you will attend the closing and sign the papers. Congratulations, you're now a homeowner!

For more information on all of our mortgage options, call 518-825-0323 and enter a team member's extension below!

Mortgage Loan Officers

Brittany Joy
NMLS #960659
bjoy@dfcu.net
ext. 2204

Ashton Cortright
NMLS #1599691
acortright@dfcu.net
ext. 3113

Heather Rancour
NMLS #1079599
hrancour@dfcu.net
ext. 2210

Mortgage Loan Processors

Cristi Lawliss
NMLS #1807046
clawliss@dfcu.net
ext. 3107

Nathan Barber
NMLS #1778598
nbarber@dfcu.net
ext. 3105

Kayla Barber
Mortgage Servicing Administrator
NMLS #1070049
kbarber@dfcu.net
ext. 2209
(344 Tom Miller Road)

DANNEMORA DFCU FEDERAL CREDIT UNION

WE'RE YOUR **HOME** FOR

HOME LOANS

» Why should you choose Dannemora Federal Credit Union as your mortgage provider? Easy. When you partner with us, you'll get to work one-on-one with a mortgage expert who is committed to providing you with service and solutions that are affordable, local, flexible and personal. Not to mention, you'll gain access to a wide range of financing options to meet your specific needs:

Fixed Rate Mortgages	Enjoy the same payment for the life of the mortgage.
Adjustable Rate Mortgages (ARMs)	Accept payments that may fluctuate to enjoy lower payments up front.
Land Loans	Purchase a vacant lot to eventually build a home or raw land that you don't intend to develop.
Construction Loans	Receive short-term, interim financing to pay for building a house.
Refinancing	Use this option to potentially lower your monthly mortgage payments.
Zero Down Mortgages	Purchase a home with no required down payment.

Rest assured, all mortgages at DFCU are originated and processed in house at the credit union, and we currently keep all mortgages in house post closing – so you can be certain you'll work with us from beginning to end.

To become a member, all you have to do is work, live, worship or go to school in Clinton, Essex, Franklin or St. Lawrence counties!

FYI ON PMI

Did you know? DFCU offers Private Mortgage Insurance (PMI), meaning we can finance:

- Up to 97% for qualified buyers for the purchase of single family homes*
- Up to 90% cash out for refinances*
- Up to 90% financing on double wides*

*Rates can vary based on risk factors, which include but are not limited to LTV, credit score, and debt to income ratio. Loan approval, interest rate, and down payment required based on creditworthiness, amount financed, and ability to repay. Loans with a down payment less than 20% require private mortgage insurance, which could increase the monthly payment and Annual Percentage Rate (APR). Fees may be assessed, as applicable. Rates, terms, and conditions are subject to change. Index used is Prime Rate as published in The Wall Street Journal. Rates and terms subject to change without notice. All loans subject to credit approval. Actual APR and maximum loan-to-value are determined based on the applicant's credit score and other criteria.

WHY DFCU?

We're Small Enough to Know You, Large Enough to Serve You

Heather and the rest of the team that works with her have been nothing short of five stars. We appreciate all the hard work done to help us.

In-House Underwriting, Decisions, and Servicing

Efficient Lending with Attentive Service

Partners Beyond the Closing

Brittany was very friendly and professional and helped me through each step of the loan process.

Ashton was a pleasure to work with. She knows her product and made it easy for me to choose the right mortgage loan.

Consistent Communication

GLOSSARY OF
Mortgage Terms

Adjustable Rate Mortgage (ARM)
A mortgage in which the loan rate changes during the life of the loan. Changes are governed by the movement of an index – such as the treasury bill, treasury securities index, or London Inter-Bank Offered Rate (LIBOR) – and the margin and caps of the particular ARM program.

Amortization
The gradual repayment of a mortgage by scheduled installments.

Annual Percentage Rate (APR)
The actual interest rate, annualized, that a borrower pays when certain costs of financing are included.

Appraisal
A professional estimate of a property's market value.

Assessed Valuation
The value placed on a property to determine property taxes.

Assumable Mortgage
A mortgage that can be taken over ("assumed") by the buyer when a home is sold.

Balloon Mortgage
A mortgage that has level monthly payments that will amortize it over a stated term but that provides for a lump sum payment to be due at the end of an earlier specified term.

Balloon Payment
The final lump sum payment that is made at the maturity date of a balloon mortgage.

Cap
A limit placed on the upward movement of the payments and interest rates of a loan.

Closing
The meeting to finalize your financing by signing all documents and making the appropriate payments, including closing costs.

Closing Costs
Costs, in addition to the property price or loan payoff, that are due at the closing. Closing costs often include: origination fees; discount points; attorney's fees; costs for title insurance; survey and recording documents; and prepayments of real estate taxes and insurance premiums. Closing costs may include other fees, such as an appraisal, credit report cost and underwriting fees.

Closing Disclosure
A disclosure of all applicable financial details of the transaction.

Collateral
Property pledged as security for a debt, such as real estate securing a mortgage.

Comparables
An abbreviation for "comparable properties," used for comparative purposes in the appraisal process. Comparables are properties like the property under consideration; they have reasonably the same size, location and amenities and have recently been sold. Comparables help an appraiser determine the approximate fair market value of the subject property.

Conventional Mortgage
A mortgage that is not insured or guaranteed by the federal government.

Credit History
A record of an individual's open and fully repaid debts. A credit history helps a lender determine whether a potential borrower has a history of repaying debts in a timely manner.

Down Payment
The portion of the purchase price that the buyer pays and does not finance with a mortgage.

Escrow Account
An account held by the servicer to which the borrower pays monthly installments for property taxes and insurance. The servicer disburses funds as they become due.

Escrow Payment
The portion of a mortgagor's monthly payment that is held by the servicer to pay for taxes, hazard insurance, mortgage insurance, lease payments and other items as they become due. Also known as "impounds" or "reserves" in some states.

Fannie Mae (Federal National Mortgage Association)
A private, shareholder-owned corporation created by Congress to support the secondary mortgage market by purchasing and selling residential mortgages insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA), as well as conventional home mortgages.

Fixed Rate Mortgage
A mortgage in which the interest rate does not change throughout the loan term.

Foreclosure
A legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgage property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

Freddie Mac (Federal Home Loan Mortgage Corporation)
A stockholder-owned corporation chartered by Congress to increase the supply of funds that mortgage lenders can make available to homebuyers and multifamily investors.

Federal Housing Administration (FHA)
An agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

Gift Letter
A letter or form verifying the part of the down payment supplied by someone other than the borrower as a gift that does not have to be repaid.

Hazard Insurance or Homeowners Insurance
A broad form of real estate casualty insurance coverage that includes protection against loss from fire, certain natural causes and vandalism.

HUD
An abbreviation for the Department of Housing and Urban Development, which is a U.S. government agency responsible for regulating mortgage closings and administration of federal housing and urban development programs.

Lock-In
A written agreement in which the lender guarantees a specific interest rate if a mortgage goes to closing in a set amount of time. The Lock-In usually specifies the amount of points to be paid at closing.

Index
For an adjustable rate loan, a measure of current market interest rates is used to determine a new interest rate at the time of adjustment. If the index increases, the interest rate increases until an adjustment rate cap is reached. An index must be readily verifiable by the borrower and beyond to control the lender.

Loan-To-Value Ratio
The ratio of a loan amount to the value or selling price of real property, usually expressed as a percentage.

Margin
The amount added to the index to determine the rate on an adjustable rate mortgage.

Market Value
An estimate of the price a property would sell for within a reasonable period of time on the open market under normal conditions.

Mortgage
A legal document that pledges a property to the lender as security for payment of debt.

Points
A point equals one percent of the mortgage amount and is a one-time charge by the lender at closing. A borrower can pay points to reduce the interest rate of a loan.

Pre-Approval
The process used to determine how much money a homebuyer is eligible to borrow. Generally, the borrower's credit report is obtained.

Pre-Qualification
Compared to a pre-approval, a less formal process used to estimate how much money a borrower may be eligible to borrow.

Prime Rate
The interest rates that banks charge to their preferred customers. Changes in the prime rate influence changes in other rates, including mortgage interest rates.

Principal, Interest, Taxes and Insurance (PITI)
The four components of a monthly mortgage payment. Principal refers to the part of the monthly payment that reduces the remaining balance of the mortgage. Interest is the fee charged for borrowing money. Taxes and insurance refer to the amounts that are paid into an escrow account each month for property taxes and mortgage and hazard insurance.

Private Mortgage Insurance (PMI)
Insurance written by an independent mortgage insurance company protecting the mortgage lender against loss if a borrower does not pay the loan.

Origination Fee
A fee paid to a lender for processing a loan application. The origination fee is stated in the form of points. One point is one percent of the mortgage amount.

Principal
The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

Rate Lock
A written agreement that guarantees the borrower a specified interest rate as long as the loan is closed within a set period of time.

Secondary Market
The financial market where mortgages are bought and sold.

Servicer
The institution that collects loan payments and administers the loan after closing. This may or may not be the same company as the initial lender.

Title Insurance – Lender's
Insurance protecting the lender against loss arising from disputes over lien priority and ownership.

Title Insurance – Owner's
Insurance protecting the buyer against loss from disputes over rights to the property and ownership.

Title Search
A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other claims outstanding.

Transfer Tax
State or local tax paid when real estate passes from one owner to another.

Underwriting
The process of reviewing a loan, including an evaluation of the property and a review of the applicant's creditworthiness and compliance with program guidelines.

VA Mortgage
A mortgage that is guaranteed by the Department of Veterans Affairs (VA). Also known as a government mortgage.

GLOSSARY OF

Real Estate Terms

Bill of Sale
A written document that transfers title to personal property.

Broker
A person who, for a commission or a fee, brings parties together and assists in negotiating contracts between them.

Chain of Title
The history of all the documents that transfer title to a parcel of real property, starting with the earliest existing document and ending with the most recent.

Clear Title
A title that is free of liens or legal questions as to ownership of the property.

Closing
A meeting at which a sale of property is finalized by the buyer signing the mortgage documents and paying closing costs. Also called "settlement."

Contingency
A condition that must be met before a contract is legally binding. For example, home purchasers often include a contingency that specifies that the contract is not binding until that purchaser obtains a satisfactory home inspection report from a qualified home inspector.

Deed
The legal document conveying title to a property.

Down Payment
The part of the purchase price of a property that the buyer pays in cash and does not finance with a mortgage.

Earnest Money Deposit
A deposit made by the potential homebuyer to show that he or she is serious about buying the house.

Examination of Title
The report on the title of a property from the public records or an abstract of title.

Home Inspection
A thorough inspection that evaluates the structural and mechanical condition of a property. A satisfactory home inspection is often included as a contingency by the purchaser.

Homeowners Association
A nonprofit association that manages the common areas of a planned unit development (PUD) or condominium project. In a condominium project, it has no ownership interest in the common elements. In a PUD project, it holds title to the common elements.

Lien
A legal claim against a property that must be paid off when the property is sold.

Power of Attorney
A legal document that authorizes another person to act on one's behalf. A power of attorney can grant complete legal authority or can be limited to certain acts and/or certain periods of time.

Purchase and Sale Agreement
A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

Quitclaim Deed
A deed that transfers without warranty whatever interest or title a grantor may have at the time the conveyance is made.

Title
A legal document evidencing a person's right to ownership of a property.

CONTACT ONE OF OUR HOME LOAN SPECIALISTS

122 New York Road • Plattsburgh, NY 12903

(800) 678-3447 • (518) 825-0323 • dfcu.net