THE COMPREHENSIVE GUIDE TO

Finding | Buying | Financing

A HOME

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

YOUR JOURNEY TO

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. Location and school districts both play significant roles in a home's resale value – so even if you don't have kids, buying a home in a good school district may still be worth your while. 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.

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.

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 would be very unwise 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 probably see why that's impossible to do in a dual agency situation. It's better to 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?

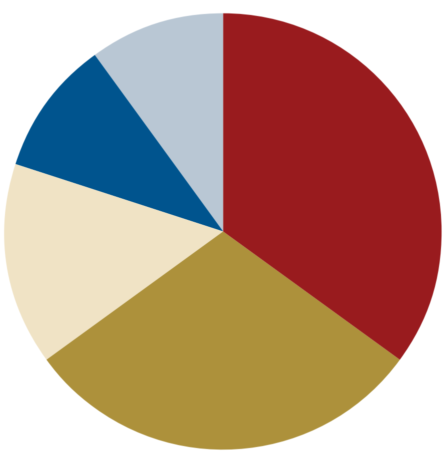
The best way to find a real estate agent is to ask friends and family members in your area for recommendations. (If you're new to the area and don't know many people yet, an online search is a good place to start.) Consider meeting with a few different agents to get a feel for how well they listen to you. Also, do some research to make sure any agents you are interested in working with have dealt with homes directly in the neighborhoods 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.

UNDERSTANDING
YOUR CREDIT SCORE

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.

Lenders rely on credit scores to determine their risk in lending you money. The most common scoring model is the FICO® 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. The higher your score, the lower the lending risk – and the better interest rate you will likely be offered.

FICO Scores are based on many factors. The five categories are: *(in order of greatest weight)*



Payment history (35%) Late payments have a significant negative impact, particularly when the lateness is frequent, recent or severe.

Capacity (30%) This is the amount owed versus the amount of credit available to you. Large balances on revolving accounts like credit cards or lines of credit, particularly if they are close to the credit limit, can lower your score.

Length of credit history (15%) Your total history and the amount of time you have had credit can impact your score. Long relationships with creditors have a more positive effect on your credit score than newer relationships.

New credit (10%) Frequently applying for new credit can lower your score. If you are getting ready to apply for a mortgage, avoid opening new, unnecessary credit and limit the number of recent inquiries.

Credit mix (10%) Using a variety of installment and revolving credit responsibly has a positive impact on your credit score.

Please note: Bankruptcies, judgments and collection accounts are also major factors in lowering your credit score.

Find Your Score

Access copies of your credit report at annualcreditreport.com from the three major credit bureaus – Equifax, Experian and TransUnion – at least 60 days before you plan to apply for financing. Review your reports carefully to make sure all information is accurate and report erroneous information immediately to the bureaus. Once you know your starting point, you can create a goal credit score and map out a plan of how you will get there.

Get a Free Credit Report Review

TEG is more than a bank – we're your partner and a resource you can trust for solid financial information. We're committed to helping every one of our members get to a better place financially.

As a not-for-profit financial institution, we provide personal financial guidance and offer free credit report reviews.

Come talk to us to better understand your credit report, improve your credit score and even save money when you refinance your current loans at a lower rate.

Time to Earn Some EXTRA CREDIT

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:

PAY YOUR BILLS ON TIME EVERY TIME.

Paying your bills on time each month like clockwork is an easy way to improve your credit score. Developing this habit will serve you well in the years to come and will help relieve your overall financial burden. This new habit may take some getting used to, but will ultimately serve you well in the long run.

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.

CONSIDER CONSOLIDATING YOUR DEBTS.

If you have a number of high-interest credit card payments or outstanding debts, it could be to your advantage to consolidate your debt; that way you'll just have one payment to deal with, and if you're able to get a lower interest rate on the loan, you'll be in a position to pay down your debt faster. That can improve your credit utilization ratio and, in turn, your credit score.

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:

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.

Understand closing costs. Closing costs include all fees required to execute the sales transaction, such as attorney fees, title insurance, appraisals, points (fees paid directly to the lender at closing in exchange for a reduced interest rate) and tax escrows. Typically paid up front, the average cost of these fees is 3-5% of the purchase price. Some lenders will advertise low rates, but when you take a closer look, you may find extra fees with high costs.

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.

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.

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.

At TEG 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:

- Competitive rates
- Low closing costs with NO extra junk fees
- Flexible terms
- A variety of financing options
- A simple application process
- Helpful guidance from start to finish

We believe in your dreams, and our knowledgeable team is ready to make you feel right at home.

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:

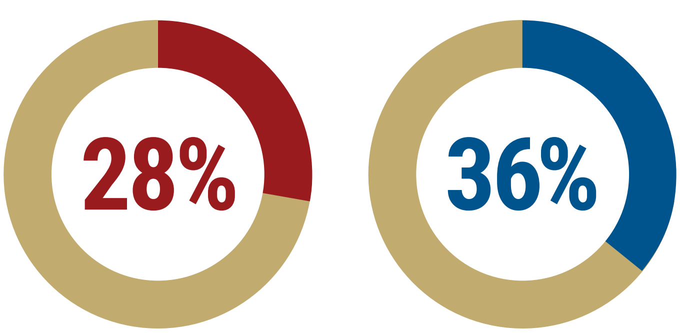
- To keep your purchase affordable, make sure your total monthly housing payment (including your mortgage, homeowners insurance, property taxes, etc.) doesn't exceed 28% of your gross monthly income. (FYI: Gross monthly income is the amount you make before taxes are taken out.) If your annual household 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.

Lenders do not include expenses like day care, tuition, or other big-ticket expenses when qualifying you for a mortgage. You need to make sure your proposed housing payment is manageable with your other expenses.



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).

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 of 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.
VA (Veterans Affairs) Loans:	VA loans offer up to 100% financing for military members and their families.
FHA (Federal Housing Administration) Loans:	FHA loans can help buyers receive financing even if they may not otherwise qualify for a mortgage. The FHA insures the lender for the mortgage amount – removing the risk associated with the borrower.
USDA (United States Department of Agriculture) Rural Development Loans:	These loans are available to rural residents who meet certain requirements, including the inability to be approved for traditional financing.
Balloon Loans:	A balloon loan is a mortgage in which a larger-than-normal outstanding balance must be paid at the end of the term.
Construction-to-Perm Loans:	A construction-to-perm loan enables your contractor to build your new home, either on a lot you purchase or one you already own. During construction (up to 12 months), you pay interest only on the amount disbursed, and upon completion, your loan will automatically convert to a permanent mortgage.
Renovation Loans:	A renovation loan allows borrowers to buy the home they want and pay for their desired renovations and repairs all under a single loan. The loan can then be paid back over time through affordable monthly payments, just like with a conventional 30- or 15-year mortgage.

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.

Home-Buying DO'S *and* DON'Ts

Avoid glitches and surprises in the loan process by following these general guidelines.

DURING THE MORTGAGE PROCESS

DO

- ☑ Keep concise records of all large deposits and transfers from your bank or credit union accounts.
- ☑ Let the lender know if any information you've provided changes. This can include an address change, job change, salary change or anything else the lender has asked for as part of the process.
- ☑ Continue to make your rent payment on time.
- ☑ Stay current on all your credit cards and car payments.
- ☑ Make sure your down-payment funds (if any) have been liquidated at least 7 days prior to settlement.
- ☑ Call your Mortgage Loan Consultant before making any changes to your finances.
- ☑ Educate yourself. If you've never bought a home before, participate in a free first-time homebuyers workshop offered by a lender, nonprofit or local government. The more you know, the smarter decisions you'll make (and you'll also avoid expensive mistakes).
- ☑ Call your Loan Originator if you have any questions. Stay on top of the mortgage process and check your loan status periodically.

DON'T

- ☑ Make any big purchases during the mortgage process. It's tempting to start furnishing, we know, but it could negatively affect your debt-to-income ratio.
- ☑ Buy or lease a new car, get any new lines of credit or consolidate debt. This could also negatively affect your debt-to-income ratio.
- ☑ Pay off collections or charge-offs. This can actually cause your credit score to drop (strange, we know).
- ☑ Increase credit limits. The same with establishing new credit, increasing your credit limit tells mortgage lenders that you require further financial assistance and may be having trouble meeting your current obligations.
- ☑ Max out or use your credit cards. Keep your utilization rate below 30%.
- ☑ Change jobs, if possible. It's usually more desirable to show a two-year work history, and a new job could affect that. Even if you're only making a lateral move, or even if you're in for a major bump in salary, your lender may have to go through the whole validation process to make sure everything's legit.
- ☑ Cosign for another borrower. This will show up as additional debt and could affect your credit.
- ☑ Obtain and/or deposit unusually large sums of money without notifying your loan officer. Many homebuyers, especially first-time homebuyers, have to scramble to get their cash together for the balance of their down payment, as well as for any closing costs. If your bank account is growing thanks to deposits from family, cashed-in investment accounts or a GoFundMe campaign, your lender will want to know. Their main concern is that this income has "no strings attached," meaning that it doesn't require loan repayments.
- ☑ Change your overall asset picture. This could include changing investments, opening accounts, closing accounts or making large, unexplained deposits.

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 lenders.

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:

1. Check your credit score.
2. Get pre-approved.
3. Determine how much you can afford.
4. Find a real estate agent and start the home search.
5. Make an offer and negotiate.
6. Get a home inspection.
7. Secure your financing.
8. Purchase a homeowners insurance policy.
9. Close on your new home.
10. Move in – congratulations!

TEG®
Federal Credit Union

WHY TEG IS THE BETTER CHOICE FOR YOUR HOME FINANCING.

WE'RE MORE THAN A BANK.

At TEG, you'll find the same products and services as big Wall-Street operated banks, without the hassle, high fees and impersonal service.

WE'RE MEMBER OWNED.

As a not-for-profit credit union, we return our profits to members, so we generally offer lower rates and closing costs and better terms on our loans.

WE'RE AT YOUR SERVICE.

Your financial success is our top priority. Our commitment to service from pre-approval to closing sets us apart. Our knowledgeable team will guide you through the process step-by-step, making it fast and easy, so we can say "Congratulations!" on your home ASAP.

WE'RE EXPERTS.

As a top mortgage lender in the area, we have far-reaching experience. Our skilled mortgage officers can offer knowledgeable guidance that you won't always find at other institutions. So whether you are looking to purchase a primary residence, second home, or investment property, or refinance to a lower rate, we will go the extra mile to find the best possible financing solution that is right for you.

WE'RE LOCAL.

We're dedicated to making a difference in the lives of our neighbors. And because we live here too, we understand the needs of our members. We have the know-how to create a plan that's right for you — and the financial strength to make it happen.

WE'RE FOR YOU.

Membership is open to all those who live, work, worship or attend school in Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster, and Westchester County, NY.

EQUAL HOUSING LENDER

NCUA

845.452.7323 • TEGFCU.com