

# HOME BUYING WORKSHOP



# TODAY'S WEBINAR

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Format	—	○
Reducing background noise	—	○
Using the “Questions” feature	—	○
Presentation & Slides	—	○

# MORTGAGE LOAN EXPERTS

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Available to help you.



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*\*hablo español*

[www.HUECU.org/home-loans](http://www.HUECU.org/home-loans)



# BENEFITS

## For First Time Home Buyers from HUECU:

- .125% Rate Discount
- FREE Pre-Approval good for 90 days
- \$500 credit at time of closing
- Additional \$500 credit (if you meet [HUD income limits](#))
- Reduced Lender Attorney fee (\$150 value)
- HUECU Staff of Mortgage Loan Originators available 7 days a weeks, including evenings

Schedule a mortgage consultation at  
<https://scheduleonce.mortgage-consultation>

# THE HOME BUYING PROCESS

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*Navigating the Real Estate  
Market*



[HUECU.ORG](https://www.huecu.org)

**IS IT THE  
RIGHT TIME  
TO BUY?**





# CURRENT MARKET CONDITIONS

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- Housing Prices
- Housing Inventory



# BENEFITS

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- Build home equity
- Mortgage interest is tax deductible — *you may want to discuss the details with a tax advisor*



# SELECTING THE RIGHT REAL ESTATE AGENT

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# REAL ESTATE AGENCY

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*Agency relationships:*

- Designated Sellers Agency
- Designated Buyers Agency
- Facilitation





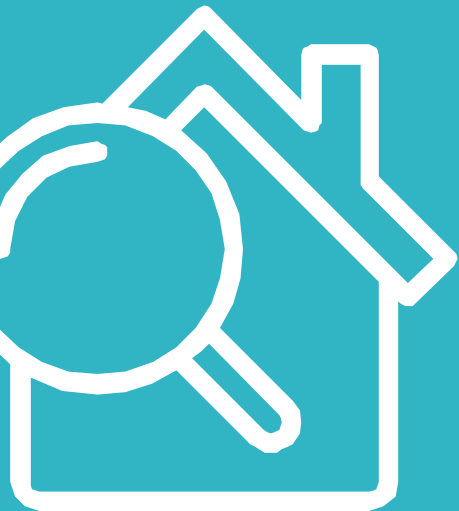
# REAL ESTATE AGENT CONSIDERATIONS

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- Full-time, experienced, and knowledgeable
- Based in the community
- Agent who will represent you as a “Buyers Agent”
- Fee is usually covered by the commission that the sellers real estate company is offering on behalf of the seller
- Access to home search resources/technologies

# THE SEARCH

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*While you're looking for a home:*

- Make clear to your Agent your list of absolute “Wants and Needs”
- Make your Agent aware of your “Likes and Dislikes”
- If time permits, ask your Agent to preview homes
- Ask your Agent to do an analysis of recently sold properties
  - Establish range of value within which to negotiate
  - Objectively review properties pluses and minuses

# CONSIDERATIONS WHEN CHOOSING A COMMUNITY

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## *Location, Location, Location!*

### ○ School Districts

- Visit the Massachusetts State Dept. of Education ([www.doe.mass.edu](http://www.doe.mass.edu))
- Review articles in Boston Magazine

### ○ Commuting

- Visit MBTA to estimate commuting time and the best route ([www.mbta.com/rider\\_tools](http://www.mbta.com/rider_tools))

### ○ Market Research





# THE PURCHASING PROCESS

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- 2-step process in Massachusetts
  - Offer to Purchase
  - Purchase and Sale Agreement

# OFFER TO PURCHASE

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- Always in writing and includes:
  - Offer Price
  - Closing Date
  - Deposit Monies
  - Mortgage Contingency
  - Home Inspection Contingency
  - Review of Condo documents
  - Review of Condo Association Finances
  - Any items to be included - refrigerator, curtains, swing set, etc.
- Legally binding contract only when signed by both parties
- Agent must be diligent in getting your offer to purchase signed ASAP!

# PROPERTY INSPECTIONS

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## ○ General Home Inspection

- Tests the structural and mechanical integrity of the home

## ○ Pest Inspection

## ○ Radon

- Odorless, colorless gas that seeps into home from basement

## ○ Well/Septic

- Mandated or customary septic system inspections
- Well: Test for quality and quantity

## ○ Cost of Inspections

- Vary based on size of home and scope of inspection
- Local standard practice usually dictates who pays





# PURCHASE AND SALES AGREEMENT

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Includes any changes made as a result of the property inspections

Mortgage contingency will still be in force for the remainder of the timeframe agreed upon at acceptance of offer

Accepts deposit requirements

Remember, everything must be in writing to be a valid contract

Attorney

- Contract draft and review
- Conducts closing



# THE HOME FINANCING PROCESS

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*Navigating the financials when  
purchasing a new home*



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# WHERE DO I START?



# CREDIT REPORT

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*It's a good place to start!*

- Industry standard to accept FICO scores of 620 to 830
- Recommend 720 FICO score or higher
- Joint credit review
- Free Credit Reports at [annualcreditreport.com](http://annualcreditreport.com)





# HOW MUCH CAN I AFFORD?

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- Free express pre-approval
- Visit: [HUECU.org/pre-approval](https://www.huecu.org/pre-approval)
- Complete online form
- An experienced and licensed HUECU Mortgage Loan Originator (MLO) will contact you to discuss your needs and product options
- A credit report will be obtained
- A pre-approval will be issued within 48 hours



# GENERAL GUIDELINES

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- Housing payment includes principal, interest, real estate taxes, homeowners insurance and homeowners association dues for condominiums.
- Recommend that your housing payment not exceed 36% of your gross monthly income (before taxes).
- Your housing payment plus all other monthly credit obligations including credit cards, car payments, student loans, personal loans, child support, alimony and any other debts should not exceed 43% of your gross monthly income.

# LOAN LIMIT CONSIDERATIONS

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## *Conforming Loan Limits*

- \$724,500.00 for Single Family and Condo\*
- \$927,500.00 for 2 Family

*\*Set by Suffolk County, MA*

## *Jumbo Loans*

- Loans that exceed these limits based on property type
- May require a larger down payment
- Require 6-month liquid reserves



# DOWN PAYMENTS

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*HUECU down payment requirements:*

○ Single Family and Condos

- 5% of the Purchase Price\*
- 3% of the Purchase Price for First Time Homebuyers or under Low to Moderate Income Programs

○ Multi-Family Homes\*\*

- For Fixed Rate Loans:
  - 15% of the Purchase Price for Two Family
  - 20% of Purchase Price for Three or Four Family
- For Adjustable Rate Loans (ARMs):
  - 5% of the Purchase Price for Two Family
  - 10% of Purchase Price for Three or Four Family

\*Conforming limit

\*\* Multifamily properties require 6-month liquid reserves



# LESS THAN 20% DOWN PAYMENTS

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Private Mortgage Insurance(PMI) required with less than 20% down payment:

- Reduces risk for the lender
- Paid on monthly basis in your mortgage payment
- No upfront cost
- Monthly premium is based on down payment and FICO score

As an alternative, HUECU also offers 10% down payment

loans combining a first and second mortgage.



# WHICH LOAN IS RIGHT FOR YOU?



# LOAN OPTIONS

## *Fixed Rate*

- Interest rate and loan terms do not change over the life of the loan
- Principal and Interest portion remains constant
- 30 year amortization is the most common

\*No prepayment penalties

## *Adjustable Rate(ARM)*

- Initial rate is lower than Fixed Rate Loan
- HUECU offers 5/1,7/1,10/1 &15/1 ARMs
- Payment adjusts at specified times
- Payment may increase or decrease
- Adjustment Rate is determined by adding the margin to the one year treasury bill depending on product
- There are maximum rate changes per adjustment and lifetime interest rate caps

\*Ideal for borrowers who anticipate substantial pay increases or do not plan to be in the home past the first adjustment period

# WHAT ARE THE CLOSING COSTS?



# CLOSING COSTS

○ A Loan Estimate will be issued when you complete your Mortgage Application. It provides you with the terms, projected payments and fees associated with your loan. It can be used as a comparison tool to shop for the best loan to fit your needs.

○ All of the Closing Costs and Escrows associated with your loan are itemized.

*\*HUECU offers \$500 credit towards closing cost for first-time home buyers*

○ HUECU offers a No Points, No Closing Cost option on selected loan programs  
*(interest rate may be higher)*



# THE MORTGAGE ROADMAP

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# STEP-BY-STEP

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Express pre-approval



Offer to Purchase accepted and Purchase & Sales agreement executed



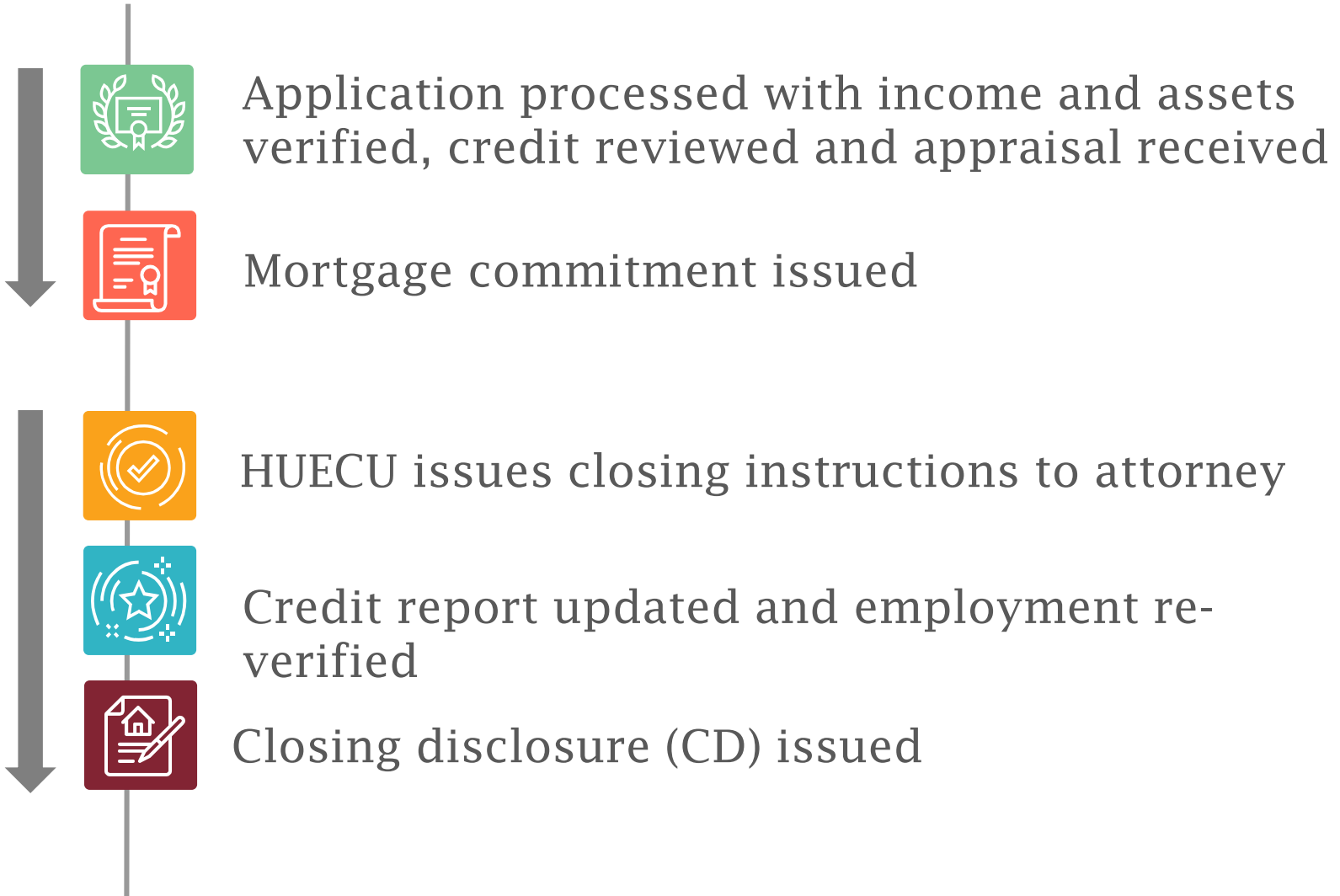
Loan application submitted and option to lock interest rate



Loan estimate (LE) and disclosures issued



Supporting documents submitted for processing







# BEFORE YOU CLOSE

- Closing Disclosure
  - Full accounting of all closing costs to be paid by the buyer and by the seller
  - Buyer should receive statement 3 business days prior to closing
  - It will itemize exact closing cost and funds needed at closing
- Perform a “walk-through” on home when sellers vacate
- Obtain an Insurance Binder: One year of pre-paid Homeowners Insurance



# AT THE CLOSING

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- Checklist:

- Photo ID
- Your Checkbook
- Certified Check

- Closing takes about 1 hour



# RESOURCES

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- Greenpath Financial Wellness ([HUECU.org/greenpath](https://HUECU.org/greenpath))
- HUD Income Data ([Huduser.gov](https://Huduser.gov))
- Annual Credit Report ([annualcreditreport.com](https://annualcreditreport.com))
- Redfin ([Redfin.com](https://Redfin.com))
- Zillow ([Zillow.com](https://Zillow.com))
- Express Pre-approval ([HUECU.org/pre-approval](https://HUECU.org/pre-approval))



**PLEASE COMPLETE SURVEY**

**[HUECU.ORG/SURVEY](https://huecu.org/survey)**

*Your feedback helps us **improve** and **continue** personal finance sessions.*



HUECU

IS HERE FOR YOU



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