

## Financing Your Home by BECU

Home, sweet home. Purchasing a home is a great choice for most people. It helps you to build equity, get a tax deduction, put down roots and become part of a community. Congratulations on making the decision to invest in your financial future!

Before going out to find your new house or condo, you'll want to explore your financing options. Today, we'll review the process involved in "Financing Your Home" so you know what to expect.

After this video, we recommend you watch "Finding and Buying Your Home" to walk through what happens *after* you secure financing.

To get a good overview of what's involved in financing your home, let's take a look at what you'll need to budget for, the types of loans available, and the process required to select a loan that works best for you.

Then, we'll look at the difference between *pre-qualification* and *pre-approval* for a home loan. And finally, we'll preview what your loan application process will be like.

When determining your loan needs, you'll need to consider more than simply the list price of the home you wish to purchase.

An initial **down payment** of 3% to 5% of the list price will establish initial **equity** in your home. If you don't have funds for a down payment, BECU offers zero-down payment options.

You'll also want to consider different types of insurance. As you see, there are a lot of options to consider and more information is available online after this video.

Additionally, there are closing costs to build into the money you'll need to buy a home.

**Closing costs** are items that are paid only once, like fees for credit reports, inspections or

appraisals. Generally, the average cost to consider for closing costs is around 2.5 to 3 percent of the loan amount.

And finally, you'll also need to account for Earnest money, which is basically a non-refundable deposit that accompanies an offer on a house to show intent to the seller that the buyer "earnestly" intends to purchase the property.

So that's what you'll be looking at when adding up what you will need to borrow.

What will lenders be looking at when considering you for a home loan?

- Your work history, monthly income and credit history;
- Other income or expenses like pensions or child support;
- And how much cash you have to pay for a down payment, insurance, and closing costs.

Check out the calculators on [becu.org](http://becu.org). They'll help you figure out what up-front costs and ongoing expenses you may pay.

When "shopping for a loan", remember the types of loans available to you will vary. BECU offers a variety of loan options. We'll review the first two options, and the rest are explained in detail on [becu.org](http://becu.org).

With a **fixed-rate mortgage**, fluctuations in market rates won't have any impact on the amount of interest you pay because that rate is "fixed" or set for the life of your loan.

This may be a good choice:

- If you want to know what your home loan payment will always be
- Plan to stay in your home for at least 10 years
- Or don't expect your income to increase significantly

The rates for "Arm" or **adjustable-rate mortgages** fluctuate.

The initial interest rate is generally lower than fixed-rate mortgages.

That means: lower *initial* payments and increased purchasing power.

You may want to choose an ARM:

- If you want to keep your payments lower for the first few years of your loan
- Want to increase the amount of loan you can qualify for
- Plan to move to another home within 3 to 7 years
- Plan to pay-off your loan within 10 years
- Or expect your income to increase significantly

How do you know which one to go with? Spend some time online with the **BECU Loan Consultant**. It's easy to use, interactive, and after a few questions, it will help you narrow your options. Or come into BECU and meet with our **loan specialists**.

There are lots of options. Take some time. Explore. And we'll help you find what will work best for you.

Getting **pre-qualified** is when you get an estimate of how much loan you can likely afford. It serves more as a guide about what a lender might require rather than being their official approval.

**Pre-approval** is "guaranteed approval for a maximum loan amount and good for 90 days"—a helpful tool in a highly competitive housing market. It could make the difference between getting the place you want and seeing someone with a pre-approved loan get the home of your dreams!

To apply for your easy online loan, just answer a few questions about yourself and your property on [becu.org](http://becu.org). You'll be asked about your income, debts and assets. If you need to go collect some answers to questions asked, you can even save the application mid-way and complete it later.

After submitting your application, various loan programs may allow you to receive an immediate online credit decision. If approved through the online process, print out your approval letter. That way, you'll have a copy of it available for the seller when you're ready to make your offer!

Let's review what we've covered today: We looked at the costs involved in a mortgage, how to shop for a mortgage, how to apply online and the benefits of pre-approval.

To learn what happens *after pre-approval*, check out "Finding and Buying Your Home", the next video in our series.