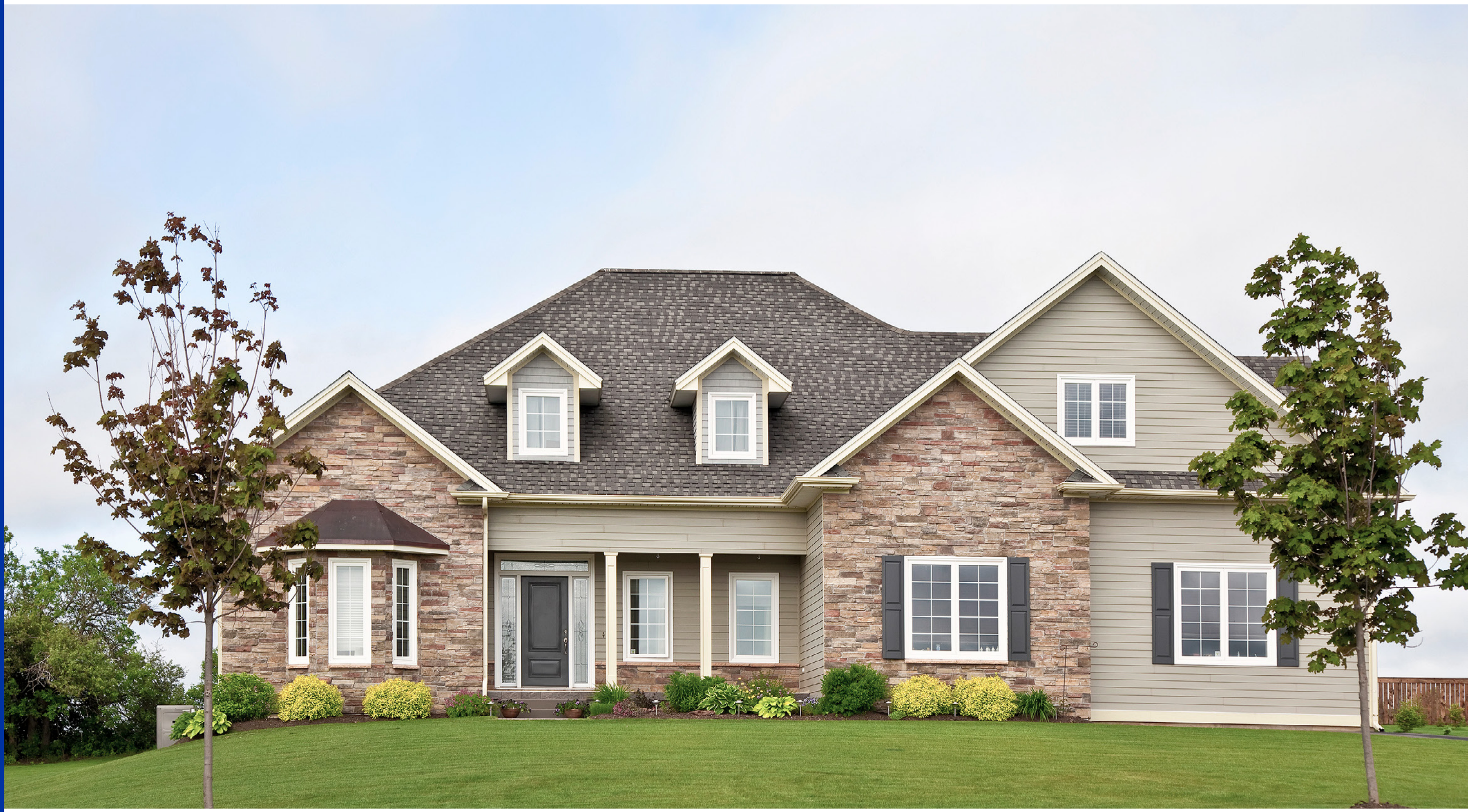
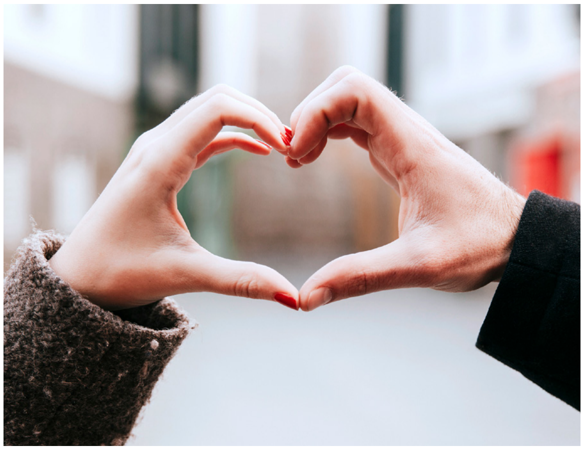
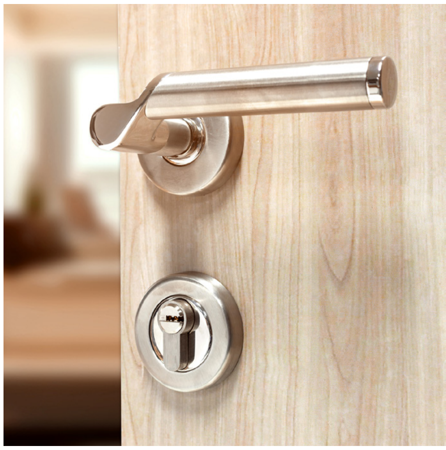
YOUR JOURNEY *to* HOMEOWNERSHIP



The MHV Guide to Finding, Buying & Financing Your New Home



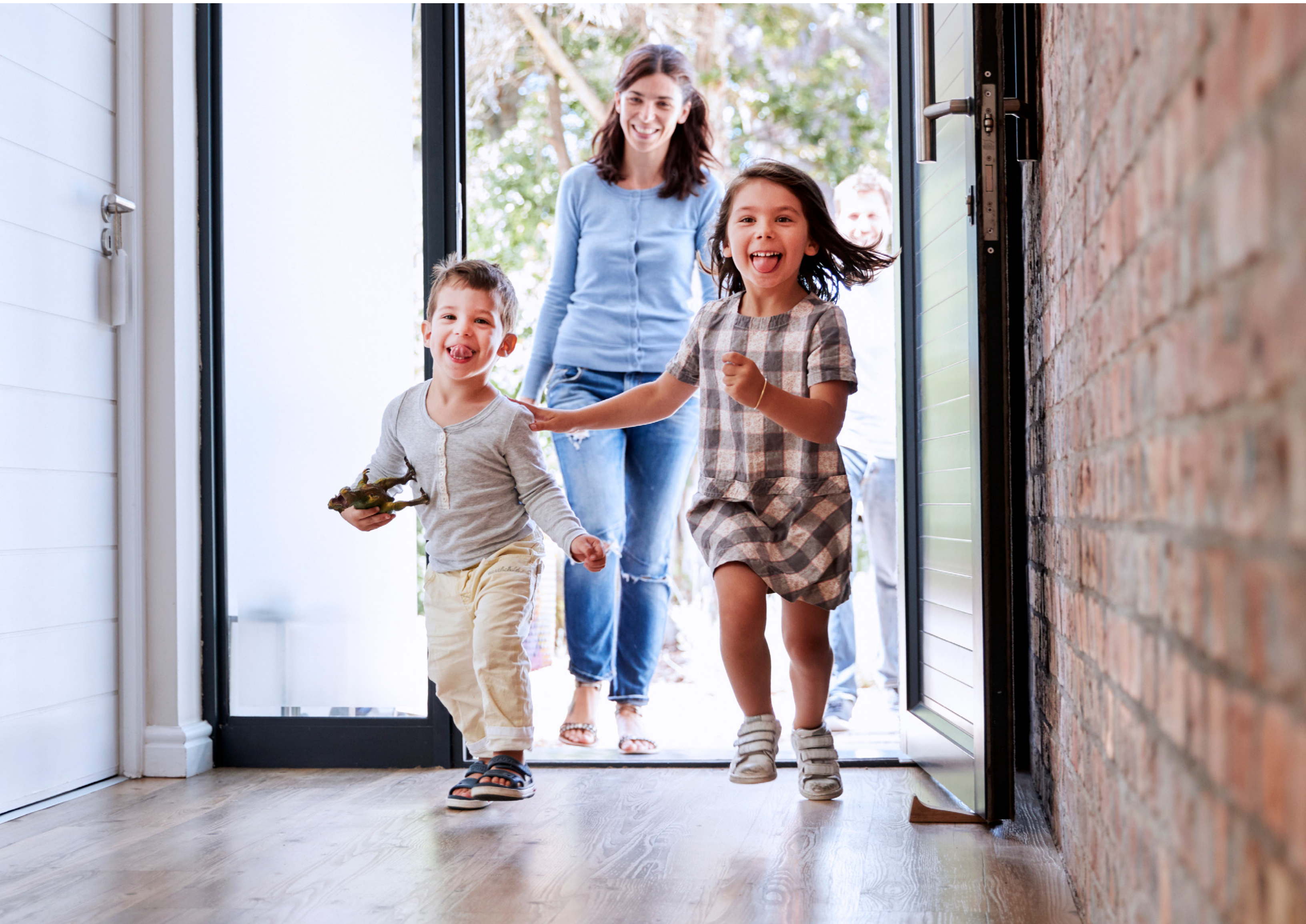


MHV
MID-HUDSON VALLEY FEDERAL CREDIT UNION

THE PATH *to* HOMEOWNERSHIP

The thought of purchasing a home can be stressful and you may have many questions. The purpose of this guide is to provide you with the knowledge you need to start your journey. We will guide you through the process so you can feel confident and empowered to get started.

A first home is the single most exciting purchase many people make in their lifetime. It can also be a wise personal and financial decision. Homeownership provides a sense of security, considerable tax advantages, and the opportunity to build equity. If you are considering homeownership, it's never too early to start planning. Though the process can feel long and overwhelming at times, it's really nothing more than a series of practical steps.



CALCULATE HOW MUCH HOME *you* CAN AFFORD

Before you get started searching for homes, it's important to understand how much home you can afford. Most lenders require that total housing costs not exceed 33% of gross monthly income. Therefore, if you owe nothing and earn $40,000, according to a lender, $1,100 in monthly housing costs is within your range.

Be sure to account for the following costs:

Closing Costs

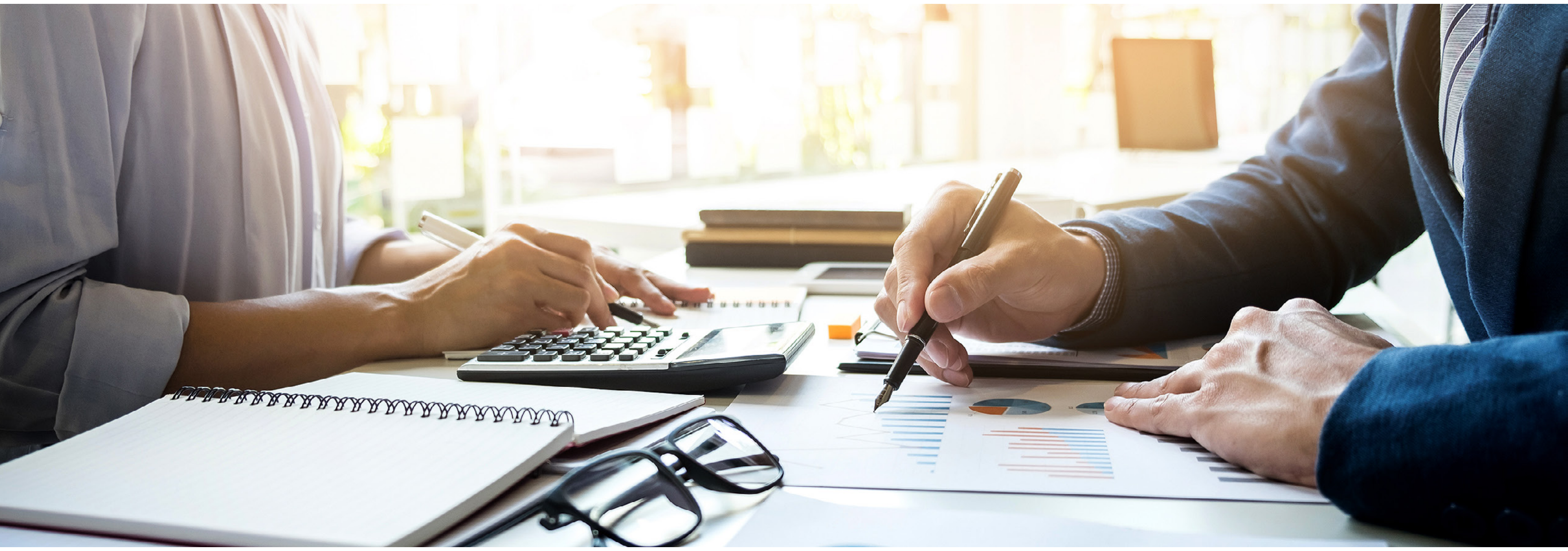
Closing costs include all fees required to execute the sales transaction, such as attorney fees, title insurance, appraisals, points (fees paid directly to the lender at closing in exchange for a reduced interest rate), and tax escrows. Typically paid up front, the average cost of these fees is 3-5% of the purchase price.

Post-Purchase Reserve Funds

You may need to prove to the lender that you have enough money to protect against potential cash flow problems. Most lenders like to see at least two months' worth of housing payments in reserve, either in savings or assets.

The Extras

Extras are everything from moving costs to new furniture. If you plan to buy a fixer-upper or a home that doesn't come with major appliances, these expenses will have to be planned for. The price of "extras" will vary greatly. First-time homebuyers are often strapped for cash though, so prioritizing essential expenses is important.



A great way to start building up your savings account is by automating your savings. Automate savings by taking a portion of your paycheck and having it directly deposited into your savings account. It is best to schedule this deposit to coincide with your payday. Visit your local branch to speak with a representative to set up an automated savings account.

Your CREDIT SCORE AND REPORT

Understand what impacts 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.

Lenders rely on credit scores to determine their risk in lending you money. The most common scoring model is the FICO score. FICO scores range from 300 to 850. The higher your score, the lower their risk – and the better interest rate you will likely be offered. FICO scores are based on many factors. The five categories (in order of greatest weight) are:

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

Bankruptcies – Judgments and collection accounts are also major factors in lowering your credit score.

Amounts owed – 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 – Long relationships with creditors have a more positive effect on your credit score than newer relationships.

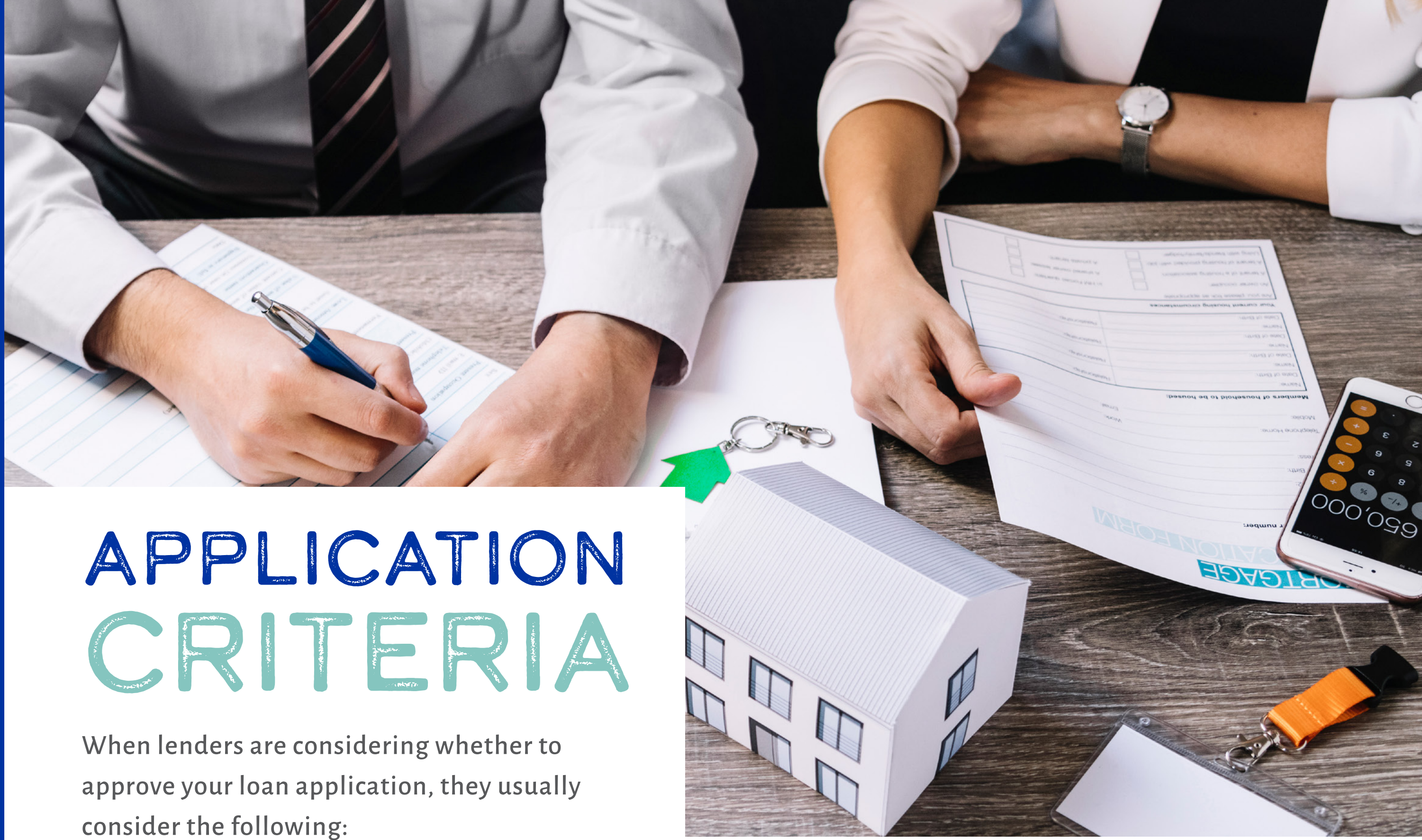
Pursuit of new credit – Frequently applying for new credit can lower your score.

Types of credit in use – Using a variety of credit instruments responsibly has a positive impact on your credit score.

IMPROVING CREDIT

If your credit score isn't where you want it to be, you can take steps to improve it by:

- Paying down your debt and keeping balances low on revolving accounts
- Paying on time, every time
- Avoiding transferring balances to new cards
- Only applying for the credit you need and closing cards you don't use
- Keeping old accounts open



APPLICATION CRITERIA

When lenders are considering whether to approve your loan application, they usually consider the following:

Down Payment

In most cases, a mortgage lender wants you to pay a certain percentage of the overall loan amount as a down payment on the home purchase. While a 20% down payment was the norm in the past, many lenders have programs that require much less of a down payment. Keep in mind, however, that a substantial down payment works to your advantage – the more you have, the less you have to borrow, and the lower your monthly payment.

Employment History & Income

Most lenders prefer to see two years of consistent employment in the same field. Lenders want to know that your income has been consistent and that it has the likelihood to continue in the near future. Traditionally, lenders require the total of your mortgage payments not exceed 33% of your gross income each month, though some lenders may be willing to exceed that.

Debt

The normal requirement is that your monthly payments on existing debt not be above 36% of your gross income, although there can be some flexibility in certain cases for this number too.

A savings plan is a great way to begin saving for your down payment. After you have calculated the amount of money you need, decide when you would like to buy. To make saving as easy as possible, have the determined sum automatically deducted from your paycheck or checking account and deposited into a separate savings account.

MORTGAGE TYPES

Fixed Rate Mortgage

A Fixed Rate Mortgage is ideal for people that want to lock in their rate and maintain a consistent monthly payment.

Adjustable Rate Mortgage (ARM)

An ARM has an interest rate for a set period, but then the interest rate and monthly payment adjust at later fixed intervals. One appeal of an ARM is that they usually start off with a lower interest rate than a Fixed Rate Mortgage. Because of this, an ARM can be worth considering for someone who plans to sell the home in a few years or who anticipates a significant income increase.

Interest Only Mortgage

The initial payment is lower with an Interest Only Mortgage since you are paying only the interest for a specified amount of time, usually several years. After that time, however, the payment becomes higher because it begins to include both principal and interest. This type of mortgage can be worth considering for someone who plans to sell the home in a few years.

VA loans

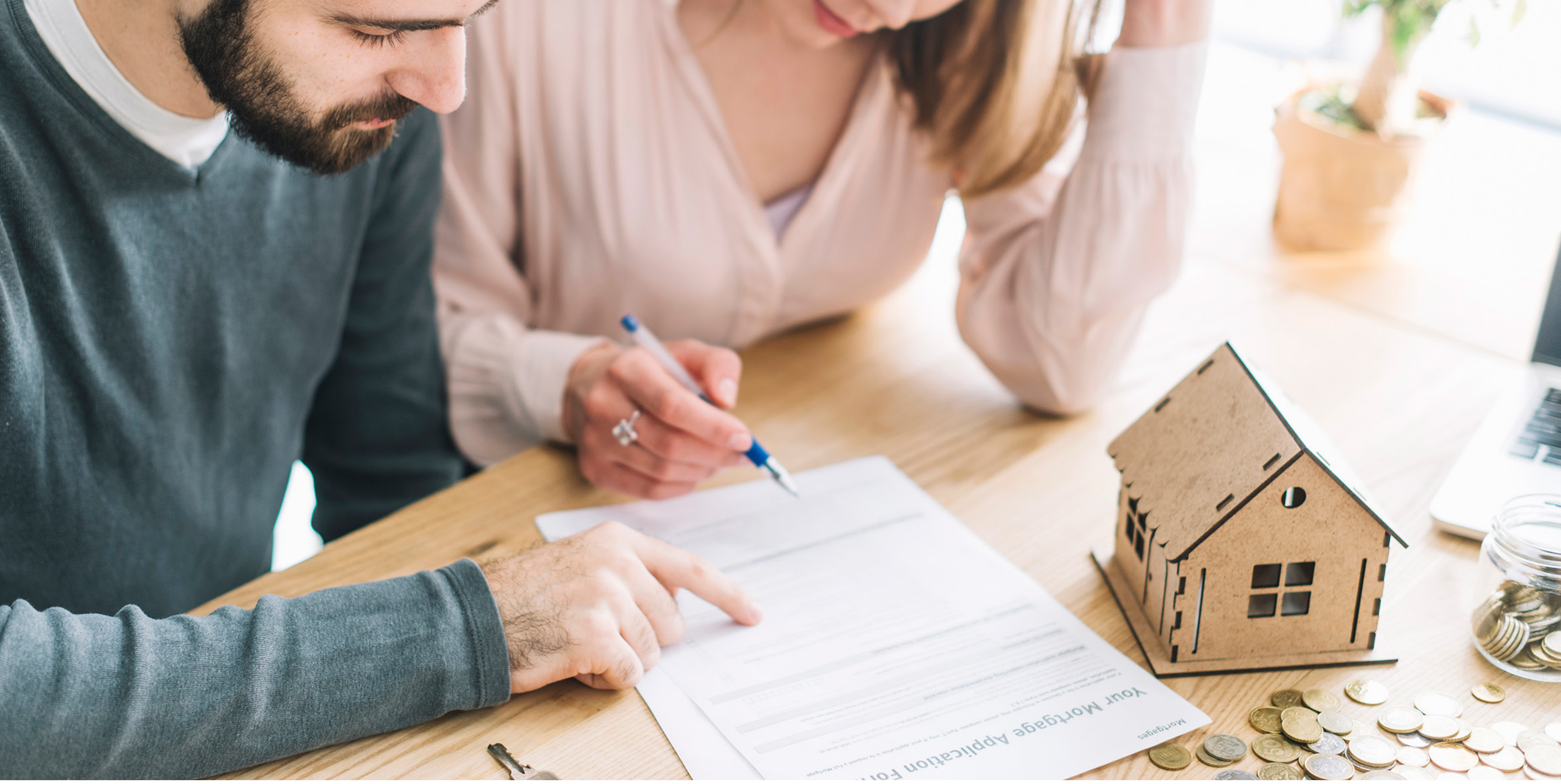
VA loans are insured by the Department of Veterans Affairs and are only available to eligible veterans. No down payment is required.

FHA loans

FHA loans are insured by the Federal Housing Administration, a division of HUD (the Department of Housing and Urban Development). This mortgage has a down payment requirement.

Repayment Terms

The mortgage term is the length of your loan. Traditionally, the most common term has been 30 years, but this number can vary anywhere from 10 to 50 years. Shorter loans usually have a lower interest rate, but they will always have a higher monthly payment since you are paying off the loan faster. A longer mortgage term means a lower monthly payment, but you will end up paying more interest over the life of the loan.



THE FOUR COMPONENTS of a MORTGAGE LOAN

1 Principal

The principal is the amount of money you borrow. Mortgage loans are set up so that you pay more interest than principal in the beginning, and more principal than interest as you get further into the payback.

2 Interest

The interest rate you receive will greatly affect your monthly payment and total cost of the loan. Fixed interest rates remain consistent over the course of the loan, and adjustable (ARM) interest rates change based on a variety of financial measurement rates.

3 Taxes

Property taxes may be included with your mortgage payments, or paid quarterly. The amount of tax depends on where you live, and is usually assessed as a percentage of the property value.

4 Insurance

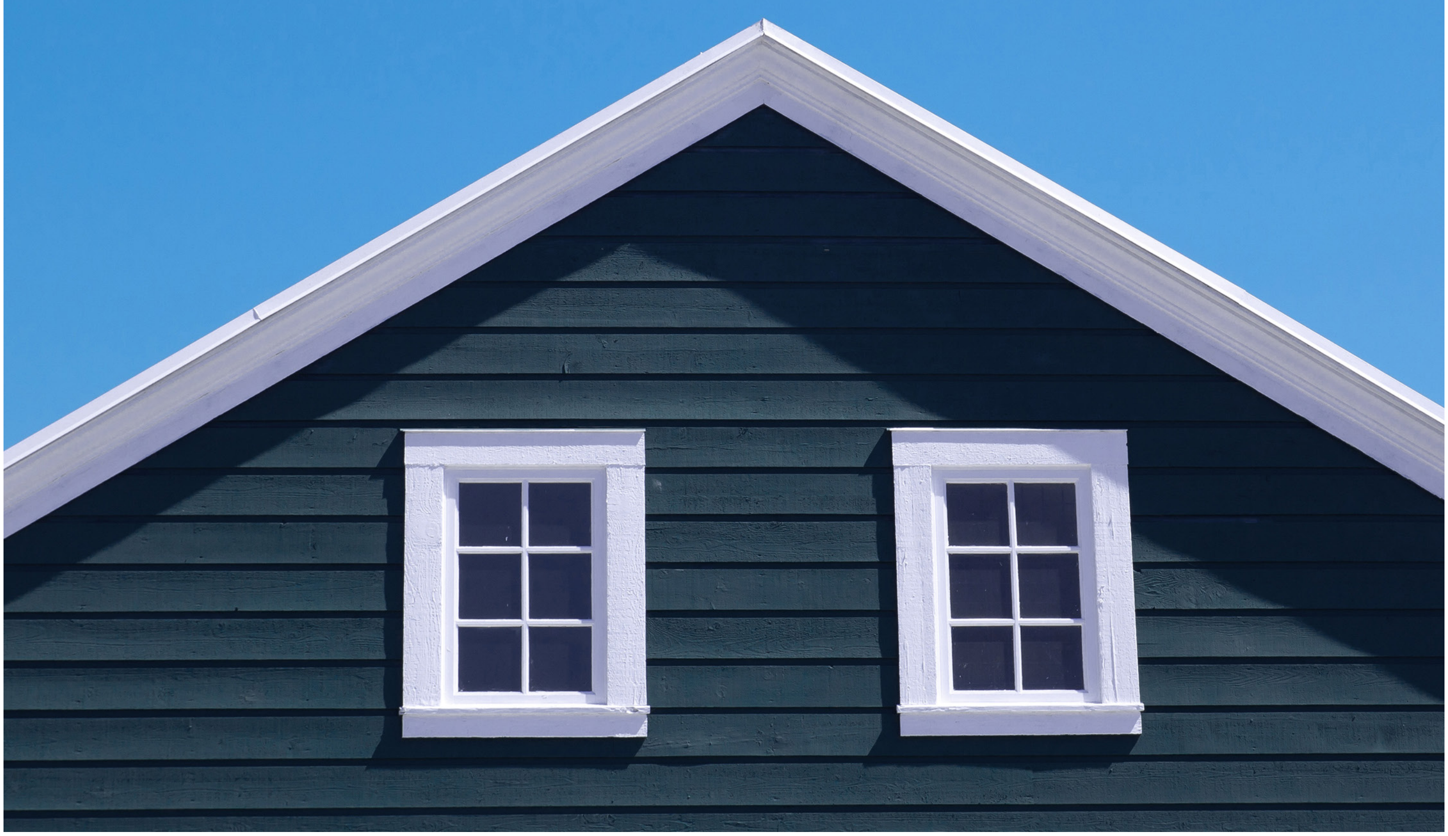
Homeowners insurance protects you from financial losses on your property that might result because of fire, wind, or other hazards.

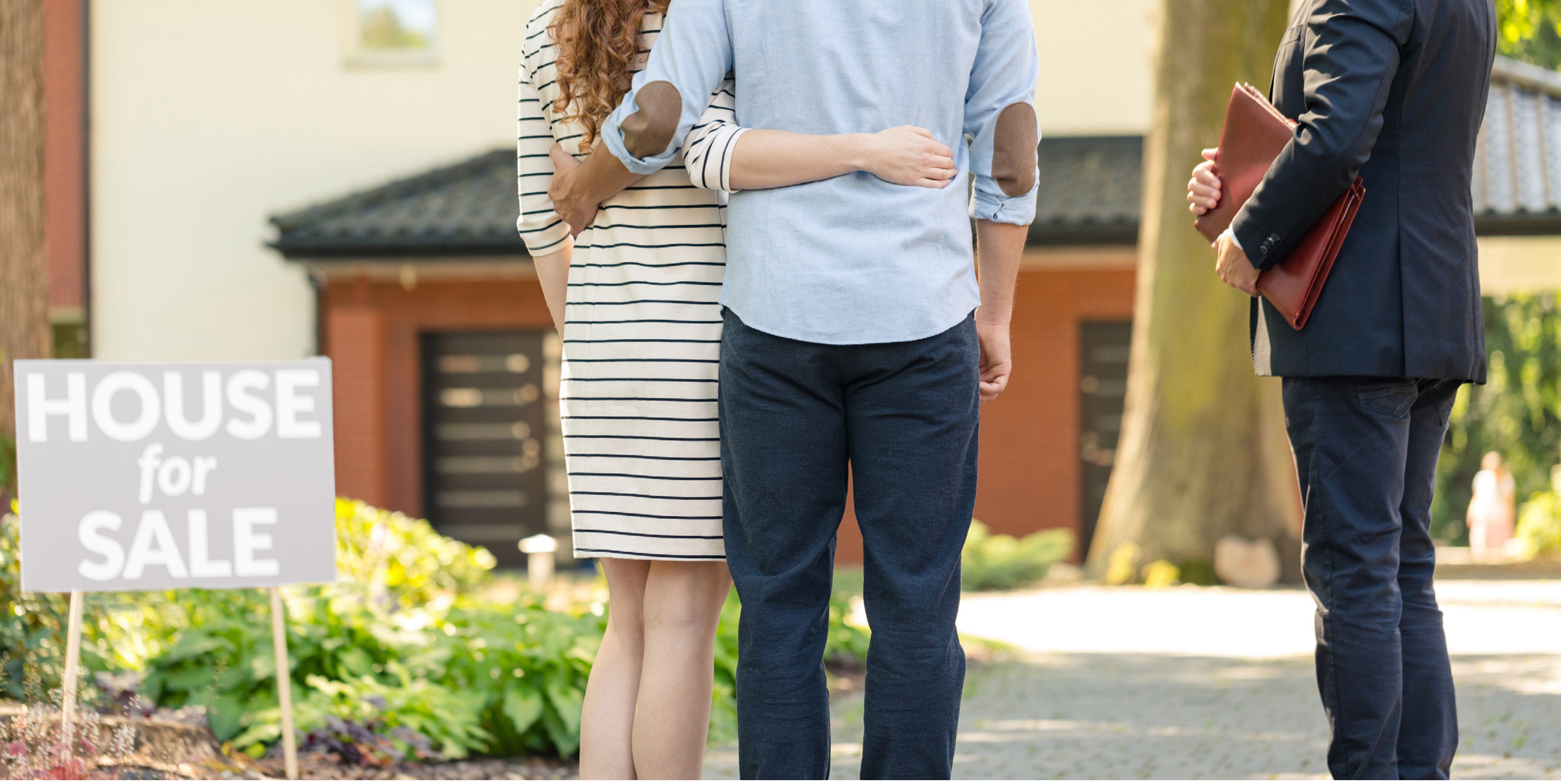
APPLYING *for* FINANCING

The best time to apply for a mortgage is before you start looking for a specific home to buy, since being pre-approved will let you know your price range. Additionally, some sellers may require that you have financing for the mortgage in place before they accept your offer.

PRE-QUALIFICATION *vs.* PRE-APPROVAL

Pre-qualification is a projection of how much loan you might qualify for. The amount you are truly eligible for may be different based on your tax returns, credit reports or other factors. Pre-approval more closely resembles the real application process. It is a firm commitment from a financial institution that for 60-90 days, barring no changes in your financial situation, they will finance a specific amount.





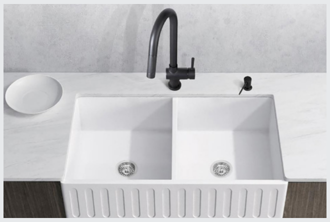
SEARCHING *for a* HOME & MAKING AN OFFER

SHOP AROUND

Once you know what you can afford and qualify for, it's time to start looking at homes that meet your personal criteria. You can shop on your own by looking through the real estate listings online, or enlist the help of a real estate agent.

FIND AN AGENT

To find an agent, ask friends and relatives for recommendations. Interview several realtors before deciding on one, and ask questions about the areas and types of homes in which you're interested. He or she should be well-acquainted with all the facts about a neighborhood that matters most to you, such as schools, safety, public transportation, traffic volume, or other issues that affect you and your family.



DECIDE WHAT YOU WANT

Making a prioritized wish list of desired features can help to ease the process of finding your dream home. Common factors in choosing a house include price, number of bedrooms and bathrooms, square footage, closet/storage space, energy efficiency, type of home (such as single family or condo), location, garage(s), yard, school district, safety, and noise.

SELLER CONCESSIONS

Seller concessions are costs that the seller pays for the buyer, which reduce the amount of money the seller receives. Typical concessions include closing costs and cash back for repairs or renovations.

INCLUSIONS

Inclusions refer to items that are built into the sales contract which are to remain with the property, such as appliances, blinds, chandeliers, or anything else. You'll want to be sure these items are clearly identified in the offer.

CONTINGENCIES

Contingencies are conditions that must be met in order for the sale to go through. A home inspection, financing, and an appraisal are common contingencies.

Once the offer is written, your agent will present it to the seller. Along with the offer, it is customary to give the seller earnest money, also called a good faith deposit. Usually the amount is between 1-3% of the offered purchase price. This money is part of the down payment and shows the seller you are serious about purchasing the house. The money should go in an escrow account, where funds are held for, but not owned by, a party.

MAKING AN OFFER

If you are working with a real estate agent, the agent will look at "comps" – similar homes that have sold recently in the area – to determine an appropriate value for the home.

The offer you make to the seller of a home usually has at least three components:

- Purchase price
- Closing date
- How long the offer is good

Many offers have additional components, such as seller concessions, inclusions, and contingencies.

FINAL STEPS

Last tips to help you start your journey

Home Inspection Once your offer is accepted, you can arrange for the home inspection, which should be done by an independent qualified professional. A home inspection is your way of guarding against unseen and expensive problems popping up once you move into the home. Count on a comprehensive inspection costing several hundred dollars.

Finalize Your Mortgage You should contact your lender to let them know you've found a home. The lender will start to prepare for closing and may need additional documentation from you. You should periodically check in with the lender to make sure they have everything they need.

Homeowners Insurance Now is also a good time to gather quotes on homeowners insurance. If you have other types of existing policies, you may be able to save by bundling your insurance with one provider.

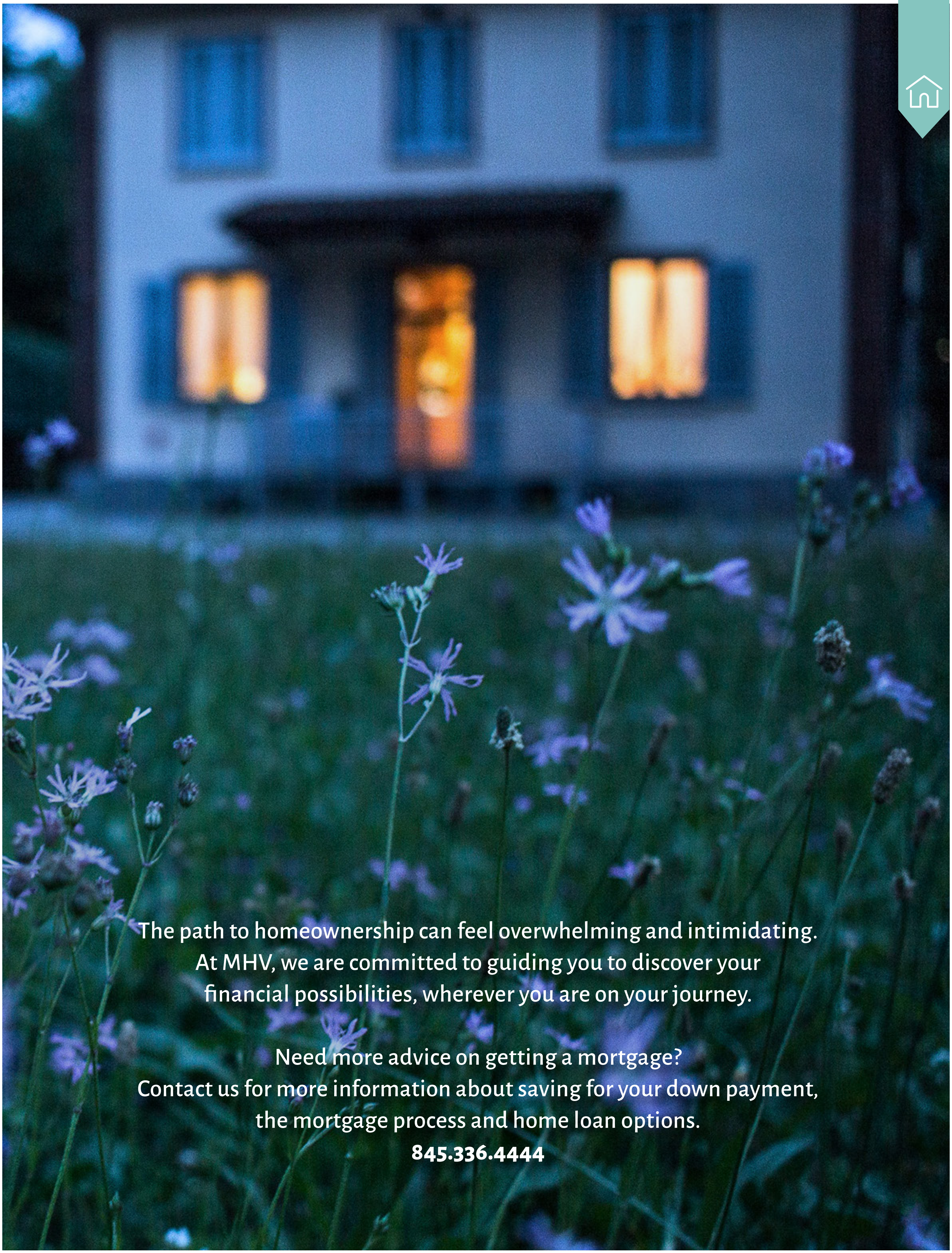
Final Walkthrough About a day or so before closing, ideally after the seller has moved out, consider doing a final walkthrough of the property. In the walkthrough, you should make sure the seller left everything agreed upon, and that the property is in the same condition. This is the best time to bring up any problems since the seller has not yet been paid.

Closing Closing is the day that the mortgage is finalized and the title of the house is transferred to you. In many states, closing is handled by a title company. If not, it may be handled by a closing company or attorney. You will need to bring photo identification and a cashier's check for the amount you are paying for closing costs and the down payment. You have a right to review the documents at least 24 hours before closing. You will probably want to hire a real estate lawyer to make sure you understand the paperwork and the process. The documents you will be signing include the:

- **Mortgage note** The mortgage note is your promise to pay the lender according to the specified terms.

- **Mortgage or deed of trust** This gives the lender the right to the title of the home if you do not pay the mortgage.

- **Closing Disclosure and Loan Estimate** The Loan Estimate is provided within three days of mortgage application submission and shows your estimated loan amount, interest rate, monthly payment and closing costs. The Closing Disclosure is provided at the loan closing and shows your actual loan terms. If you see any unexpected fee or the mortgage terms on the two documents are vastly different don't just sign the documents - ask the lender to explain.



The path to homeownership can feel overwhelming and intimidating.
At MHV, we are committed to guiding you to discover your
financial possibilities, wherever you are on your journey.

Need more advice on getting a mortgage?
Contact us for more information about saving for your down payment,
the mortgage process and home loan options.
845.336.4444

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EQUAL HOUSING LENDER

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