

What Newbie Home Buyers Need to Know

Buying a house is an exciting time for you. A little scary, as well, but your allies at CommonWealth Credit Union have your back. We can help you minimize anxiety by being prepared.

If you haven't already, call a loan officer at (815) 937-7447 and have a conversation about your questions and your goals. Here are some of the things you might talk about:

Know your credit report

Go to annualcreditreport.com and get your credit report from all three of the reporting agencies; you get one free report a year from each.

Here's how much difference your credit score makes, if you qualify: On a \$150,000 30-year fixed-rate (3.85% annual percentage rate) mortgage, with an excellent score of 760 or higher, your monthly payment would be \$703 and you'd pay \$103,033 in total interest. But a credit score of 620 would cost \$846 a month (5.4% APR) and rack up \$154,407 in total interest payments.

Know what other documents will be useful

When you talk with a CommonWealth Credit Union lender about applying for a home loan, you'll need several other records:

- * *W-2 forms.* Make copies from the past two years.
- * *Paystubs.* Copy your two most recent ones.
- * *Financial account statements.* Collect statements, including those from retirement accounts, for the past few months.
- * *Lines of credit.* If you've opened any in the past six months, you'll need copies of those statements because they might not show up on your credit report.
- * *Information about vehicles you own.* Include make, model, and resale value.
- * *Auto-loan account information.* Include account numbers and statements.
- * *Credit card account information.* Include numbers and types of cards, balances, and minimum payments.
- * *Other loan account information.* Include student loans and personal loans.
- * *Gifts.* If any money for your down payment was given to you, identify how much and where it came from. Be prepared to document that it's a gift and not a loan.

Know what you can afford

Your income and its stability, how much you have for a down payment, and your existing debt level are all elements that come into play. Maybe you have heard the 28/36 guideline. This means:

- * Your total monthly housing commitment—mortgage principal and interest, property taxes, and homeowners insurance—should be no more than 28% of your income before taxes and other deductions, called your gross monthly income.

* Your *total* debt—meaning house payments plus student loans, car loans, and credit cards—should be no more than 36% of your gross monthly income.

These are guidelines. Think in terms of what house payment you can handle and still have money for savings, education, childcare, vacations, entertainment, and other priorities.

Know your savings status

You'll have to come up with as much as 20% down on a conventional home loan—or \$30,000 on a \$150,000 house. Here again, your Commonwealth Credit Union loan officer can help you learn about options you're eligible for that can bring the numbers within reach.

In addition to a down payment, be prepared for these expenses, which you can't roll into your mortgage:

- * Closing costs for title search, appraisal fee, loan origination fee, and more
- * Utility hook-up charges
- * Prepayment of taxes, interest, and property insurance
- * Moving expenses

You can expect to shell out for paint, window coverings, appliances, and other basics to make your new place move-in ready. Here again, your Commonwealth Credit Union lender can help you calculate what you need and how much you want to keep on hand for the inevitable expenses that arise after you buy a house.

Stop by and talk to one of our mortgage experts today or give us a call at (815) 937-7447.