

🏠 CALCULATING THE TOTAL COST

One way to judge the affordability of a new home purchase is to calculate the amount of rent you currently pay and compare that to what your mortgage payment will be. This can help get you started, as long as you understand all the costs involved:

- Real estate agent's commission
- Down payment on the home
- Closing costs
- Monthly mortgage payment
- Annual property taxes
- Home owner's insurance
- Private mortgage insurance (PMI) if you have paid less than 20% of the value of your home as down payment
- Maintenance costs

Your credit union can assist you in calculating these costs and making the comparisons.

🏠 TAX BREAKS FOR HOMEOWNERS

These expenses can be offset by the home mortgage tax deduction, created by Congress to encourage home ownership. While there are certain limitations (check with your tax advisor), the interest paid on home mortgages will generally be tax deductible. The rate depends on your tax bracket. In addition to the interest tax deductions, you may also be eligible for other deductions such as for property taxes and for certain purchase costs, such as points. Your tax advisor can help you find the precise savings based on your particular circumstances. Your principal payments are not tax deductible.

🏠 OTHER BENEFITS OF OWNERSHIP

Owning a home is one of the best ways to build your assets. Being a homeowner brings with it a sense of

pride and security knowing that you are investing in yourself and your future.

🏠 RESOURCES

USA.gov

<http://www.usa.gov/>
Click on "Consumer Guides"

Federal Deposit Insurance Corp. (FDIC)

<http://www.fdic.gov/index.html>
Click on "Consumers"

Federal Housing Administration (FHA)

<http://www.fha.com/>

Veterans Administration (VA)

<http://www.homeloans.va.gov/>

Federal Reserve Board

www.federalreserve.gov/consumers.htm

*Balanced Information
About Benefits & Risks*

HOME MORTGAGES



- UNDERSTANDING YOUR OPTIONS
- CALCULATING THE COSTS
- CHOOSING THE RIGHT ONE FOR YOU

Innovative Loan Options Require Careful Choosing

Home ownership is a big part of the American dream, and credit unions have always been there to help make the dream come true. Credit unions provide millions in loans every year to members, helping them buy new homes, refinance existing homes, and recently, offering lines of credit and reverse mortgages to help people tap into their home equity without having to sell their home.

For credit unions, an important part of helping members enjoy the benefits of home ownership has been providing innovative, new ways to finance the purchase. Adjustable Rate Mortgages, Interest-only loans, Convertible ARMs and a host of other programs have been created to accommodate the varying needs of different people, all based on the understanding that not everyone has the same financial means or identical goals.

Your credit union also understands that offering innovative loan options includes the responsibility of educating members about the mortgage options that are right for them. When it comes to home financing, one size does not necessarily fit all!

If you are considering a home purchase, read this brochure and keep it with your other important papers as you go through the mortgage process—it can help you stay on track as you sort through the many options you'll encounter.

Most of all be sure to check with your credit union at the outset. Your credit union has considerable experience in the home-buying process, and can be a major resource for information and assistance.

KEY FACTS ABOUT YOUR MORTGAGE OPTIONS

Be sure to talk to your credit union to learn more about these options as well as other programs that might be available in your area, especially for first-time home buyers.

TYPE	DESCRIPTION	ADVANTAGES	DISADVANTAGES
30-Year Fixed	Monthly payments over 30 years; Interest rate remains same over 30-year period.	Interest rate cannot go up.	Generally, interest rate is higher. Longer term means you pay more interest.
15-Year Fixed	Monthly payments over 15 years; Interest rate remains same for 15 years.	Own your home in half the time; less interest paid than with 30-year loan.	Bigger monthly payment; qualification may be more difficult.
Bi-Weekly	Payments every two weeks over the term of the loan.	Loan is paid off more quickly than 30 or 15 year loan; interest savings is significant.	More payments; monthly payment will be higher than with 30-year or 15-year.
Adjustable Rate (ARM)	Interest rate (and therefore the payment) changes as interest rates go up or down.	Initial rate can be considerably lower than comparable fixed rate; payments go down when interest rates go down; easier to qualify.	Payments go up when interest rates go up.
Hybrid ARM	Same as ARM but interest rate remains fixed for specific period of time (usually 3, 5, 7 or 10 years) before it adjusts.	Rate remains the same for specific periods before it can go up or down.	After fixed period, payment can go up if interest rates go up.
Convertible ARM	Adjustable rate mortgage with an option to convert to fixed rate.	Advantages of an ARM with ability to convert to a fixed-rate.	Conversion is usually at set times, and interest rates might not be favorable.
Payment Option ARM	Adjustable rate mortgage that allows you to choose among several payment options each month.	Low beginning interest rate period; option to pay traditional principal and interest payment or just interest only.	Interest rate can go up. You may owe more than initial loan.
Interest-Only	Contains an option to pay only the interest on the loan for a certain period.	Allows you to get a bigger loan and more house; good for those who expect their income to rise soon, or who plan to sell soon.	If house doesn't appreciate, you may owe more than the initial loan; equity does not increase.
Low/No Document Loan	Designed for those with variable income or income that can be difficult to document (self-employed, commission, tips, etc.).	Proof of income and assets not required.	Higher interest rate due to higher risk; larger down payment; stricter credit standards.
Balloon Mortgage	Fixed term loan with low monthly payments and a large payout at the end of the term.	Short-term loan with equal payments; lower interest rate.	May have to refinance when interest rates are higher if you cannot make the balloon payment.
Reverse Mortgage	Loan available to seniors based on the equity of their home.	Allows seniors to tap the equity in their home without selling.	Loan must be repaid if borrower sells, moves or dies. Reduces value of equity available to heirs.
FHA Mortgage	Loan insured by the Federal Housing Administration, a government agency.	Low down payment; easier credit qualifications; loan rates can be lower.	Not available to everyone; cap on the amount of the loan; appraisal guidelines may be stricter; fewer mortgage options.
VA Mortgage	Designed only for U.S. military veterans.	Down payment may be waived; easier to qualify.	Not available to everyone.