



Chevron Federal Credit Union

Mortgage & Home Buying 101

Great Rates. Personal Service.

www.chevronfcu.org

510-627-5000 • 800-232-8101



Chevron Federal Credit Union

OVERVIEW

Who We Are

The Home-buying Process

ABCs of Qualifying for a Mortgage

Mortgage Products and Options

Purchase Agreements and Closing Costs

Homeowner Insurance

Q & A



Chevron Federal Credit Union

WHO WE ARE

- ✓ Founded in 1935.
- ✓ Serving over 66,000 members in the U.S. and overseas.
- ✓ 25 Chevron locations with CFCU branches and/or ATMs, including those in Northern California, Southern California, the Central Valley, Hawaii, Alaska, Houston, Covington, and Pascagoula.
- ✓ With over \$1 billion in assets, CFCU ranks in the top 2% of credit unions nationwide. We are also the largest credit union dedicated to serving employees of an energy company.



Chevron Federal Credit Union

WHO WE ARE

Chevron Federal Credit Union (CFCU) is a not-for-profit financial institution, dedicated to improving the economic conditions of our members.

Our Loan Officers are salaried, not commission-based.
At CFCU, our members are our shareholders. We conduct business for the welfare of all our members.

Our goal is to be our members' lifelong financial partner.



Chevron Federal Credit Union

THE HOME-BUYING PROCESS

Phase 1: Get Pre-approved

- ✓ Make the decision to buy a home.
- ✓ Contact your Loan Officer to get pre-approved for a mortgage.
- ✓ Understand terms and conditions of qualifying for a mortgage.
- ✓ Choose a Realtor[®] once you have been pre-approved.



Chevron Federal Credit Union

THE HOME-BUYING PROCESS

Phase 2: Finding the Perfect Home

- ✓ Begin looking for your perfect home.
- ✓ Once found, sign a contract of sale and present to seller for acceptance.
- ✓ If accepted, give a copy of the acceptance letter to your loan officer for completion of the mortgage application.



Chevron Federal Credit Union

THE HOME-BUYING PROCESS

Phase 3: Inspections and Insurance

- ✓ Order any home inspections specified in your contract of sale.
- ✓ Contact homeowners insurance agent to obtain a policy.
- ✓ Realtor – follow up on inspections and contract-related issues.
- ✓ Loan officer – order appraisals and documents necessary for final loan approval.
- ✓ LOAN APPROVED!



Chevron Federal Credit Union

THE HOME-BUYING PROCESS

Phase 4: Titles and Funding

- ✓ Contact title company to forward loan closing documents.
- ✓ Title company – contacts you when documents are ready for signing and funds are available to complete purchase
- ✓ Close the loan. Funding complete.
- ✓ MOVE INTO YOUR DREAM HOME!



Chevron Federal Credit Union

THE ABCs OF QUALIFYING FOR A MORTGAGE



ASSETS



BORROWER INCOME



CREDIT



Chevron Federal Credit Union

THE ABCs OF QUALIFYING FOR A MORTGAGE

Assets:

- ✓ The more the better.
- ✓ Assets are used to show your ability to repay in times of hardship = less risk to default or be late on payments.
- ✓ Typical lender looking for at least 5% down payment.



Chevron Federal Credit Union

THE ABCs OF QUALIFYING FOR A MORTGAGE

Borrower Income:

- ✓ Ability to repay loan
- ✓ Debt to Income Ratios: Typically 33%/38%
- ✓ Top Ratio = Total housing payment divided by gross income.
- ✓ Bottom Ratio = Total housing payment *plus debt* divided by gross income.



Chevron Federal Credit Union

THE ABCs OF QUALIFYING FOR A MORTGAGE

Credit:

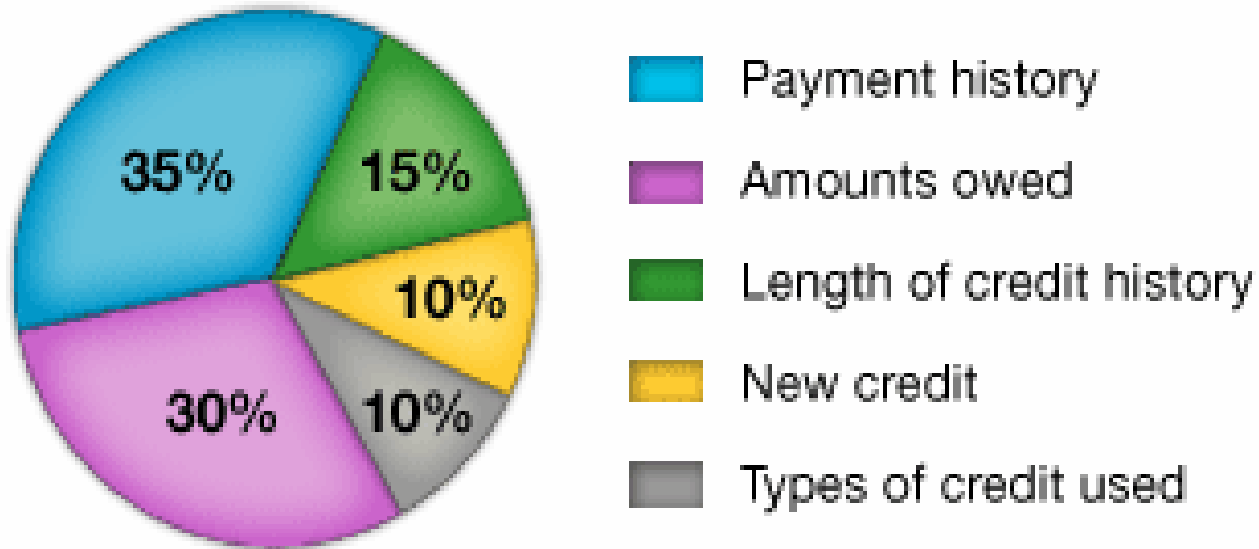
- ✓ Paying bills on time, avoiding judgments and collections.
- ✓ Credit Scores (FICO) – TransUnion, Experian, & Equifax.
- ✓ Typically, a score at or above 660 is needed to get a favorable credit decision.

This is the most important of the three ABC's.



Chevron Federal Credit Union

FICO (Fair Isaac Corporation) SCORE



Source: myFICO.com



Chevron Federal Credit Union

MORTGAGE PRODUCTS AND OPTIONS

Fixed vs. Adjustable

Fixed Rate Mortgage:

- ✓ Rate is fixed for the life of the loan.
- ✓ Term: 10, 15, 20, or 30 years.
- ✓ Gives security since payment does not change.



Chevron Federal Credit Union

MORTGAGE PRODUCTS AND OPTIONS

Fixed vs. Adjustable

Adjustable Rate Mortgage (ARM):

- ✓ Rate is fixed for a period of time, then changes after the fixed period has expired.
- ✓ Term: 15 or 30 years. Fixed rate periods range from 1 to 7 years.
- ✓ Lower initial payments = purchasing power, liquid cash available. Helps in qualifying loan since debt to income ratio becomes lower.
- ✓ Short-term occupancy of the home (starter home, relocating).



Chevron Federal Credit Union

PURCHASE AGREEMENTS AND CLOSING COSTS

Purchase Agreements / Contracts of Sale:

- ✓ Contingency dates: home inspection, mortgage loan commitment, satisfactory appraisal, etc.
- ✓ Close of escrow date.
- ✓ Seller-paid services.
- ✓ If you have any questions, ask your Realtor for clarification before signing.



Chevron Federal Credit Union

PURCHASE AGREEMENTS AND CLOSING COSTS

Closing costs:

- ✓ Credit union fees.
- ✓ Third-party provider fees: appraisal, credit reporting, and title fees.
- ✓ Pre-paid items (interest and impounds): impound account for taxes and insurance; required if less than 10% down payment.



Chevron Federal Credit Union

HOMEOWNERS INSURANCE

Homeowners Insurance:

- ✓ Shop around – start with current insurance company. Who has your car insurance?
- ✓ Ask your family, friends, or Realtor for referrals.
- ✓ Bid it out – ask for price match.



Chevron Federal Credit Union

Q & A

THANK YOU