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# NCUA

National Credit Union Administration, a U.S. Government Agency



# HOME FINANCING GUIDE



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# SECTION ONE:

# WHAT TYPES OF MORTGAGE LOANS ARE AVAILABLE

## Fixed Rate Mortgages

A fixed rate mortgage is a home loan with a rate that remains the same over the entire term of the loan, regardless of how interest rates change in the marketplace. This type of loan offers stability and the comfort of knowing your interest rate won't change. Your monthly principal and interest payment amounts remain the same for the entire term of the loan. If you are escrowing, keep in mind your total monthly payment can occasionally change based on your property taxes and/or homeowner's insurance. Since you will know your monthly mortgage expense for the entire mortgage term, budgeting will be easier. The interest rate may be higher with a fixed rate mortgage compared to other types of mortgages.

## Adjustable Rate Mortgages

With an adjustable rate mortgage (ARM) the interest rate can change during the life of the loan. ARMs have adjustment periods to determine when and how often the interest rate can change. For example, a 3/1, 5/1, 7/1 or 10/1 ARM has a fixed rate for the first three, five, seven or ten years, followed by a rate that adjusts every year for the remainder of the loan term. During that time, the interest rate can increase or decrease, causing your monthly payment to do the same. When the rate is set to adjust, it fluctuates at the same rate as an index (i.e. current T-bill rate) spelled out in the closing documents. Borrowers have protection from extreme changes because ARMs have interest rate caps or maximums. ARMs are attractive to borrowers because the interest rate for ARMs is usually lower than fixed rate loans. ARMs are usually retained "in-house" by Co-op Credit Union, which means Co-op Credit Union will be doing the decision making and collection of payments.

## In-House vs. Secondary Market

Co-op Credit Union offers in-house and secondary market mortgages. In-house mortgages and their servicing stay at Co-op Credit Union and generally have lower closing costs and more flexible payment options. Secondary market mortgages offer members opportunities for longer fixed-term loans and lower down payment options. The loan is sold but servicing is retained by Co-op Credit Union. For example, Co-op Credit Union does not offer an in-house 30-year fixed-rate loan, but does offer this product through the secondary market.

For additional loan programs available through this partnership for FHA or VA Lending Options, visit:

[Servion Mortgage | The Servion Group \(myservion.com\)](https://myservion.com)

## CHARACTER

Track record for repaying debts. Typically appears on borrower's credit report. Financial institutions, like credit unions, are more likely to lend to those who are reliable and keep commitments.

## CAPACITY

Ability to repay the loan. May be determined by job stability as well as amount of income compared to recurring debts.

## CAPITAL

Personal funds and resources invested. Minimizes chances of default and lenders are relieved from 100% of the risk.

## COLLATERAL

Hard assets used to secure loans (real estate, vehicles, etc.) Typically used as a backup source if the borrower is unable to pay the loan.



# SECTION THREE:

# FREQUENTLY ASKED QUESTIONS ABOUT MORTGAGES

## What is the difference between the interest rate and the Annual Percentage Rate (APR)?

The interest rate is the annual rate you pay on the money you borrow for your mortgage. It establishes the initial amount of your monthly principal and interest payments, and will vary unless it's locked in. The APR, which is usually higher than the interest rate, includes certain fees, and other closing costs.



## Is a borrower required to have an escrow account for their taxes and insurance?

Some in-house loans require an escrow account depending on your loan to value, loan term and credit history. If an escrow account is not required for your loan, we encourage members to designate a special savings account at Co-op Credit Union for those funds.



## What is the difference between Private Mortgage Insurance and home insurance?

Private mortgage insurance, and homeowners insurance are often confused. Although they sound similar, they are totally different types of insurance. Homeowners insurance covers losses occurring to one's home, its contents or loss of other personal possessions. Private mortgage insurance (PMI) protects your lender allowing you to finance a home with a smaller down payment. These products should never be construed as substitutes for each other.



## What is title insurance?

There are two different types of title insurance policies when it comes to mortgage loans. When you are purchasing a home, the seller provides you, the buyer, with an "Owner's Title Policy." This policy protects you from anyone making a claim against the home before your purchase. The other title policy is known as the "Lender's Title Policy". This policy protects the lender from any title issues with the property after the purchase. The title search that is completed verifies all owners of record and if there are any mortgage liens or judgements against the property. Any issues that exist would need to be cleaned up prior to closing.

# SECTION FOUR: DOWNPAYMENT ASSISTANCE

## Downpayment Plus® Program\*

Grant funding may be available to eligible homebuyers to use toward down payment and closing costs. Ask one of our loan officers today about the Downpayment Plus Program to see if you are eligible.

### Homebuyers must meet income eligibility requirements and:

- Contribute at least \$1,000 to the purchase of the home
- Complete pre-purchase homebuyer education **and** counseling
- Live in the home as your primary residence

*For DPP, the maximum grant amount is the lesser of: 1) \$10,000; 2) 25% of the first mortgage amount.*

\* Downpayment Plus is a program from the Federal Home Loan Bank of Chicago. Restrictions apply. Please see the Federal Home Loan Bank of Chicago's website at [www.fhlbc.com](http://www.fhlbc.com) for complete requirements. "Downpayment Plus" is a registered trademark of the Federal Home Loan Bank of Chicago.



## Online Homebuyer Education Course

Online homebuyer education courses are designed for prospective buyers to become knowledgeable and default resilient for a lifetime of home ownership. They are easily accessible and offer the ability to be completed at your own pace. Areas of education included in these courses consist of: the home buying steps, homeownership expenses, financial management and an array of other valuable information.

- 1. [NHS Southwest Wisconsin](#)
  - a.) \$99.00 online course
  - b.) one-on-one counseling session (additional fee applies)
  
- 2. [CCCS of Sheboygan](#)
  - a.) \$75.00 online course
  - b.) One-on-one counseling session (additional fee applies)
  
- 3. [NeighborWorks Blackhawk Region](#)
  - a.) \$75.00 online course
  - b.) One-on-one counseling session (additional fee applies)





# SECTION SIX:

# ADVANTAGES TO MORTGAGE LENDING AT CCU

- Local loan servicing
- 24/7 Account Access- CCU Online and CCU Mobile.
- Electronic payment options – Automatic transfer from savings or checking, Co-op Credit Union Online, Mobile, Pay and Talk.
- Various payment options: monthly, biweekly, weekly, etc.
- Escrow for real estate taxes and home insurance premiums available.
- Mortgage calculators for new purchases and refinances available.
- Self generated pre-approvals available through our online portal.
- No pre-payment penalties.



# SECTION SEVEN: APPLICATION AND LOAN PROCESS

## Ready to Apply?

[Meet with one of our experienced Mortgage Loan Officers](#)

- Select one of our friendly mortgage loan officers.
- Click the Apply Now button and fill in the necessary information

-OR-

Call [800-258-0023](tel:800-258-0023) to set up an in-person or telephone appointment at any of our convenient locations.

- Black River Falls
- Fall Creek
- Galesville
- Onalaska
- Strum



# Communication Portal

- Access to a convenient online communication portal where you can upload required loan underwriting documentation directly to your lender.
- Loan documentation checklist relevant to your transaction provided.
- Self-generated pre-approval letters available 24/7.
- Loan status milestone updates such as: loan in progress, appraisal ordered, loan approved, etc. throughout your loan process.



# SECTION EIGHT:

# WHAT IT COSTS TO BORROW FROM CO-OP CREDIT UNION

## Estimated Cost to Purchase a Home (in-house financing)



1. Origination Fee	\$ 595
2. Appraisal Fee	\$ 500
3. Credit Bureau	\$ 18
4. Flood Search	\$ 12
5. Tax Service Fees	\$ 58
6. Title Insurance Fees	\$ 400 and up
7. Insured Closing	\$ 275
8. Recording Fees	
a. To Record Mortgage	\$ 30
b. To Record Deed	\$ 30
	-----
	\$ 1843

### Inspection Fees

Fees for property inspections and surveys:

- Home inspections
- Survey of the land (if needed)
- Septic and well inspection

### Paid Prior to Closing

- First-year home insurance premium

### Paid at Closing

- Escrow deposit for future real estate taxes & home owner's insurance premiums



# SECTION NINE:

# HOME LOAN CHECKLIST

When applying for a Mortgage Loan, please provide the following information (By providing documents early in the application process it helps keep your file moving without delays):

Most recent payroll stubs reflecting 30 days of income & YTD earnings. (Name needs to be on check stub. If name is not on check stub, we need payroll name and FAX number of your payroll department.) Three paystubs for bi-weekly or five for weekly are needed.

Most recent two years tax returns, including all schedules for personal and business entities.

Most recent two years of W-2s.

If you have a savings and checking with another financial institution, please provide your most recent two months of bank/credit union statements. (Your name and financial institution name must appear on the statement and include two months of transaction history. Please include all pages.)

Most recent statements on stocks owned, cash value of life insurance, 401K programs, and pension plans. (Your name and financial institution name must appear on the statement with all pages included.)

Most recent statements on any loans, credit cards, or debts that will be paid off with loan.

Declaration page of homeowner's insurance policy for each property owned. One year paid receipt for new home purchases.

Offer to purchase, signed by all parties, if buying a home.

If refinancing your home, provide a copy of your previous title insurance policy as well as a copy of your current mortgage statement.

Real estate property tax bill(s) for each property owned.

Divorce decree (if you receive child support and/or maintenance, provide documentation for one year.)

Complete list of residency and employment covering the last two years including the name/ address/ phone numbers for all employers and past/present landlords.

**To apply, visit us online at [www.coopcu.com/lending/realestate](http://www.coopcu.com/lending/realestate)  
or call us at 800-258-0023**

# SECTION TEN:

# SMOOTH CLOSING CHECKLIST

**Help us work together as a team to ensure you have a smooth and effortless closing!**

- Email, fax or deliver all documents pertaining to the offer to purchase in a timely manner.
- Provide accurate phone numbers and email addresses for real estate agent(s) and seller(s).
- Respond promptly to lender requests for information and documentation. A lack of information can cause for delays in your closing process.
- Pay your first year of home owners insurance prior to closing and provide your loan officer with proof of payment.
- Let your lender know if you will be unavailable for any reason; vacation, surgery, etc. on the anticipated closing date.
- Review the title commitment/preliminary report when you receive it. If you question anything about it, discuss it with your lender.
- Keep your lender in the loop, make sure your lender has received all relevant information.
- Two weeks before closing verify that your lender has everything they need to prepare the closing disclosure.
- Review the preliminary closing disclosure once it is received. If you have questions, call your lender to discuss them.
- Funds owed at closing will typically need to be in the form of a wire transfer or cashiers check.
- Remember, real estate transactions are complicated and may take longer than anticipated. Patience is vital to a smooth transaction!

# SECTION ELEVEN:

# WHAT TO AVOID DURING THE LOAN PROCESS



The following actions may have a huge impact on your closing. Speak to your loan officer if any of these could happen prior to closing.



## CHANGING JOBS

A job change can result in your loan being denied, particularly if your wage is lower.



## LARGE PURCHASES

A major purchase like a new car or large unplanned vacation may cause your credit to change and your debt to grow.



## CHANGES IN MARITAL STATUS

How you hold title is affected by your marital status. Make sure both your loan officer and the title company are aware of any changes.



## SWITCHING FINANCIAL INSTITUTIONS OR MOVING MONEY

After your loan officer verifies your funds at one or more institutions, the money should remain there until after closing



## PAYING OFF EXISTING ACCOUNTS

If your loan officer advises you to pay off a certain bill follow that advice. Otherwise leave your accounts as they are until after closing.

# SECTION TWELVE:

## MEET OUR LENDERS



**Amy Lien**

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## **Amortization**

The total of your principal, interest and escrow is divided into equal payments over the life of the loan. Early in the loan term, your payments will pay more toward interest, and eventually more toward the principal later in the loan term.

## **Appraisal or Appraised Value**

An estimate of the fair market value of a property. A professional appraiser usually performs the appraisal in connection with an application for a loan secured by a home and provides a written report.

## **Closing Costs**

These are the costs that the buyer must pay during the mortgage process. There are various closing costs involved ranging from recording fees, title insurance and other costs associated with the mortgage closing.

## **Closing Disclosure**

A five-page form that provides final details about the mortgage loan you have selected that includes the loan terms, your projected monthly payment and how much you will pay in fees to get your mortgage loan. Lenders are required by law to have you acknowledge the closing disclosure at least three business days prior to closing in person or mail it to you seven days prior to closing.

## **Down Payment**

An initial cash payment a buyer pays that is not financed with a mortgage. Most mortgage lenders require a cash down payment of 5%, 10% or 20% of the purchase price. You can often lower your mortgage payment and/or afford a more expensive house by putting more money down.

## **Earnest Money Deposit**

A deposit made to a seller that represents a buyer's good faith to buy a home. The money gives the buyer extra time to get financing and conduct the title search, property appraisal and inspections before closing. An EMD says you are committed as a buyer. If you back out of the deal for reasons that have nothing to do with the home inspection or the appraisal, the seller can keep your money. If everything is moving along smoothly, the EMD is applied to your loan closing costs or toward the down payment requirement.

### **Escrow**

This account is used to collect and hold funds to pay your property taxes, homeowner's insurance and other possible charges. The account is usually established for you by your financial institution or mortgage company. Your property taxes and homeowner's insurance expenses are included as part of your monthly mortgage payment and placed in your escrow account. The money accumulates until you pay your property taxes and insurance premium on a specific due date. Once a year, your financial institution or mortgage company evaluates your escrow account. In some cases, too much has been collected and the surplus is returned to you. In other cases, the money paid out for taxes and insurance may have been higher than the amount in your escrow account. In this case, you will have to supplement the payments with another source of funding. Adjustments will then be made to your allocated escrow amount, and your payments will change because of these adjustments.

### **Flood Search**

A determination by a reputable source about whether property is located within a special flood hazard zone. A lender will require a flood search/certification before making a loan on a home.

### **Loan Estimate**

A written estimate including expected closing costs a lender must provide a prospective homebuyer. This estimate must be supplied by Co-op Credit Union within three business days of the homebuyer submitting a mortgage loan application. Lenders are required by law to make as accurate an estimate as they can.

### **Loan Principal**

The amount you actually borrow to purchase the home.

### **Loan Term**

The number of years it will take to repay your mortgage if you make no more than the required principal and interest payments every month. Terms are usually 10, 15, 20 or 30 years. Generally, the shorter the term, the lower the interest rate, but the higher the monthly payment.

### **Loan-to-Value (LTV)**

LTV ratio is the mortgage amount (expressed as a percentage) compared to the appraised value or purchase price of the home, whichever is lower. For example, if the appraised value of a home is \$100,000 and your down payment is \$20,000 (20% of the value), your loan amount will be \$80,000, making your LTV 80%.

### **Margin**

The set percentage the lender adds to the index rate to determine the interest rate of an ARM.

### **Origination fee**

A fee imposed by a lender to cover processing expenses in connection with making a mortgage loan. These fees are due at closing and must be disclosed on the Loan Estimate when a buyer first completes a loan application.

### **Private Mortgage Insurance (PMI)**

When you borrow more than 80% of your home's value, your lender will sometimes require you to obtain Private Mortgage Insurance or PMI. This insurance protects the lender against loss if you default on your home loan. The cost of PMI varies. It is based on the size of the down payment, type of mortgage, credit score, type of home and amount of coverage. Premiums are typically folded into your monthly mortgage payment. Some lenders may offer PMI as a financed premium along with the mortgage. It is important to note that when you have accumulated 20% of the value (equity) in your home, you will want to check into canceling your PMI. This can lower your mortgage payment if your premium has been included with your principal and interest monthly obligation.

### **Total Interest Percentage (TIP)**

This is the total amount of interest that the borrower will pay over the life of the loan, expressed as a percentage of the loan amount ( $\text{interest}/\text{Loan Amount} = \text{TIP}$ ).

### **Treasury Index**

An index that is used to determine interest rate changes for an adjustable rate mortgage (ARM). It is based on the results of auctions that the U.S. Treasury holds for its Treasury bills (T-bills) and securities, or is derived from the U.S. Treasury's daily yield curve. Co-op Credit Union uses the T-bill rate for mortgages.