AMPLIFY®

A GUIDE FOR HOMEBUYERS

SO EXCITING!

And SO COMPLICATED.

As a credit union and mortgage lender, we know a thing or two about helping people buy homes. We put together this guide for homebuyers to make the whole process just a little less confusing.

Not everything in here will be a perfect fit for your situation or budget, but we can at least help you find your footing as you start looking for your new home. Check out the Terms & Tools section at the end of the guide and let's level up that real estate knowledge!

Here's a basic roadmap of the homebuying process:

- Prequalification
- Research
- House-Hunting
- Submit Your Offer
- Offer & Contract Accepted
- Earnest Money Sent to Settlement Company
- Mortgage Applicaton
- Appraisals , Inspections, Title Search
- Final Approval on Mortgage
- Closing

MOVING DAY

PREQUALIFICATION

Talking to an experienced mortgage lender is the best way to start your homebuying journey. Look around for a mortgage lender that's willing to give you the information you need to make a great financial decision. A good mortgage lender will be fully transparent with all of the fees and costs you can expect throughout the homebuying process, and they will also be there for any questions you might have. It's not all about interest rates—be sure to watch for any fine print!

When you've chosen a lender, it's time to walk through prequalification. While every lender is different, here's what we'll do:

- Look at your credit report, examining your score and history.
- Ask questions about your income and your work history.
- Go over any questions you might have.
- Talk about loan options, budgeting, and the overall process with Amplify.
- Discover and discuss any issues that might prevent you from qualifying for a mortgage.
- Decide on the maximum amount you can borrow—helpful when house-hunting!

PRO TIP:

It's important to bring your prequalification letter to open houses. It signals to real estate agents that you're serious about purchasing a home.

PREQUALIFICATION MATTERS

Without getting prequalified, you won't actually know your true budget for a home. You could find a home, put in an offer, be accepted, and then find out you're not approved for the mortgage.

A good lender will meet with you and talk everything over, helping you find the budget, loan payment, and other financial terms that will work best for you and your future. Your lender will also be able to walk you through the entire process, to make sure you have everything you need!

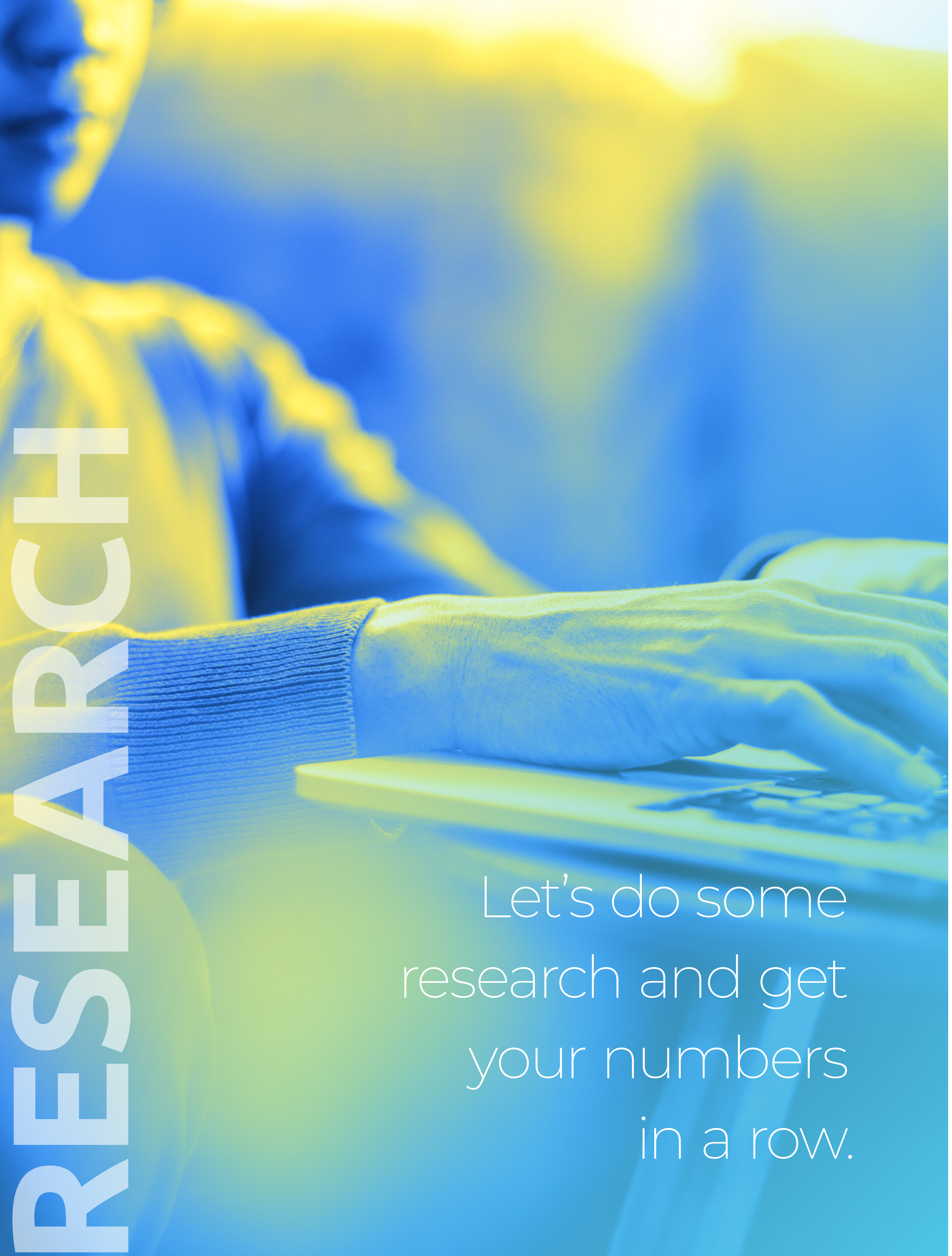
PREQUALIFICATION CHECKLIST

Have these things handy:

- ☐ Proof of income: W-2s, 1099s, tax returns, pay stubs
- ☐ Proof of assets: Retirement savings, investments, bank statements
- ☐ Documentation of any gifts that would be used as a down payment
- ☐ Proof of employment
- ☐ Driver's license or other ID
- ☐ Social Security number
- ☐ A list of any debts, like student loans or credit cards

PRO TIP:

Final loan approval only occurs after you have an appraisal done and the loan is applied to a property.



1. **Your Credit Report***
Look over your credit report for overall history, current loans or debts, and any negative items. Review carefully for any errors or items that shouldn't be on there, or any items that your mortgage lender flagged during prequalification. If possible, address any negative marks with the creditor listed. Consult your mortgage expert if you have specific questions on how your credit report might affect your mortgage.

2. **Down Payment**
How much can you put down? ***Hot tip:*** *you don't have to put down 20%; you may be able to put down as low as 3% and in some cases even less!*

3. **Property Taxes**
Don't guess—contact your county's appraisal district or tax assessor-collector for more information on property taxes in that area. Your lender can also help you find your specific property tax rate.

4. **Budget**
Because you've completed the prequalification process, your lender has given you an estimated approval amount for your mortgage loan. It's time to finalize your budget for a monthly payment. Your mortgage, insurance, and property taxes should all fit comfortably in your budget—the general guideline is no more than 30% of your pre-tax income.

* Go to the Terminology section in the back of this Guide for more information on how to get your credit report.

THE HUNT

This is the fun part. Go find your house!

PRO TIP:

In today's hot market, you may need to put in an offer right away. This is why prequalification is especially useful—your offer means a lot more with prequalification attached.

CONSIDER A REAL ESTATE AGENT

Real estate agents know things that most people don't, like:

- How to find houses that aren't listed yet
- How to connect with other real estate agents
- How to use the quirks of the market to your advantage

Real estate agents have insider knowledge that can be used to your advantage.

OPEN HOUSE CHECKLIST

Be prepared to:

- ☐ Ask questions about the history and condition of the house
- ☐ Provide your prequalification information
- ☐ Provide your real estate agent's information, if they're not with you
- ☐ Take photos of the home
- ☐ Compare your list of must-haves and deal-breakers to the house's amenities and layout

PRO TIP:

If you don't have a real estate agent, we'd be happy to recommend one. After you've chosen an agent, we can pass your prequalification information directly to them.

CONTRACT SIGNING

The offer process is unique in Texas. You won't put in a separate offer: you'll send a purchase contract for the home, signed by you and prepared for the seller to sign. This acts as your offer. Your real estate agent will send this contract to the seller's agent, and they will pass it on to the seller.

The purchase contract will explain any requirements or actions that need to happen before the contract can become legally binding, and may include financial, inspection, or appraisal requirements. The purchase contract also sets the closing deadline (also known as the settlement deadline).

If the seller takes your offer, they may negotiate terms with you or simply sign the contract. When the seller signs, your real estate agent will let you know. Your agent will then coordinate with you to send your earnest money and option fee.

PRO TIP:

Your lender and real estate agent are here to help! We'll work with you to make sure you meet your contract deadlines. It's critical to communicate with your lender and return documents quickly, because if you don't meet your contract deadlines, you could lose the contract and your earnest money.

EARNEST MONEY & OPTION FEE

Earnest Money: The exact amount can vary depending on the market conditions and location, but earnest money is typically 1% of the home price. If you're looking in a hot market, consider putting down more—this signals to the seller that you are serious about your offer to buy their home. Earnest money is sent to the title company (also known as a settlement company), a neutral party typically chosen by the seller. Your earnest money is kept in an escrow account until the purchase is final and will then be credited toward your down payment.

Option Fee: Typically between $250-$500, this is paid to the seller. This allows you to keep your right to reject the contract within a certain period of time. This fee is typically credited toward your down payment at closing.

Your lender and real estate agent are the best source of advice when it comes to these payments. There are a lot of factors that can affect your earnest money and option fee, but in general:

- If you cancel the contract within the option period, you forfeit the option money but keep your earnest money.
- If you cancel the contract outside of the option period, you forfeit your option money and in some cases the earnest money.

APPLICATION

It's time
to apply for
your mortgage.

PRO TIP:

You'll need the same documents you provided during prequalification. The final approval process uses similar information but is more in-depth.

EXPERIENCE NECESSARY

This is where an experienced mortgage lender can really help you out. They'll walk you through the application process, making sure everything is in order. Your mortgage application will be sent through the entire lending process, from initial review to underwriting, and your lender will give you final approval.

But while you're waiting on final approval, there are a lot of other things to take care of!

APPLICATION, APPRAISAL, APPROVAL:

- ☐ Once the contract is approved by you and the seller, meet with your mortgage originator. It's time to start the official mortgage application process.
- ☐ Your lender will order the appraisal.
- ☐ Get the house inspected. You'll find and pay for the inspector, typically $300-$600. This is only a recommendation, and it's for your benefit only—you shouldn't give this to your lender.
- ☐ Your lender will work with the title company to investigate the title, making sure it has a clean history and that the seller can legally sell it to you.
- ☐ Choose a homeowners insurance provider and inform your lender. They'll work with the provider to get everything set up, and you'll pay for insurance at closing.
- ☐ Get approval from your lender for your mortgage. This approval states that the loan has been underwritten by the lender. Final approval is subject to title search, appraisal, and sometimes a final inspection.
- ☐ Take your final walkthrough. Both you and the seller will agree that the house is in the condition as stated in the contract.

THE FINISH LINE

You're so close! Your lender will be helping you complete any last steps before the contract can become official, and your real estate agent will be communicating with the seller's agent to make sure everything is ready to go. The only thing left to do is sign!

Your lender and agent will communicate the exact location to you, but the closing will most likely take place in the title company's office.

CLOSING CHECKLIST

- ☐ Bring your valid, unexpired, government-issued identification
- ☐ Be prepared to wire closing costs to the title company
- ☐ Complete the settlement or closing of your new home
- ☐ The title and deed will be transferred to you
- ☐ Your lender will work with the title company to fund the transaction
- ☐ You'll be given the keys

CONGRATULATIONS!

The house is officially yours.

TERMINOLOGY

Amortization: the action or process of paying off your mortgage. Amortization tables show you how much of your monthly payment will go towards interest, and how much will go toward the principal, or the original amount of your loan. The longer you own the house, the more money goes to the principal. Additional payments toward your principal can reduce the amount of interest you pay and shorten amortization.

Appraisal: an unbiased, third-party opinion of the home's value. This determines the maximum amount of your mortgage, because a lender will typically not go beyond the value of the home. Appraisals must be completed by individuals who are licensed or overseen in training by the Texas Appraiser Licensing & Certification Board (TALCB).

ARM Mortgage: An adjustable-rate mortgage, or variable-rate mortgage, has an interest rate that can change over the lifetime of the loan. When you have this type of loan, the interest rate will be fixed for a certain number of years in the beginning, after which the interest rate will change yearly or monthly.

Closing: The final step to own your home. At the closing, you'll meet with the title company, sign any legal documents, and pay all closing costs. Closing can take 1-3 hours.

Closing costs: The amount due when you sign the final papers and get the title transferred into your name. Closing costs are generally 3-6% of the mortgage cost. They can include attorney's fees, loan application fees, loan underwriting and origination fees, home appraisal, homeowners insurance (for the first year), credit report fees, mortgage points, and title fees.

MORTGAGE PRODUCTS

Mortgage names can be confusing. Here's how to break down common loan products:

15-Year Fixed Mortgage

- 15 years to pay back loan
- Interest rate stays the same

30-Year ARM Mortgage

- 30 years to pay back loan
- Interest rate can change

Closing disclosure statement: Approximately three days before closing, your lender will send you a statement with the exact amount of your closing costs.

Condominium: A building or property that consists of several units that are each separately owned; the building includes common areas that are jointly owned. Condos are more frequently structured as individual apartments, but there are also "detached condos", which look like single-family homes. In this situation, the common areas include yards, pathways, building exteriors, streets, and any amenities (pools, tennis courts, etc). Condominiums typically have an HOA, and most have a management company that manages common areas and collects HOA fees.

Conforming loan: In order to be considered "conforming", a loan must meet specific guidelines set by the Federal Housing Finance Agency (FHFA), including requirements for eligibility, pricing, and features. The interest rate may be lower than on a nonconforming loan.

Conventional loan: A mortgage that is not backed by the government. Loans without federal backing are typically considered riskier by lenders, so the qualification requirements may be more rigorous.

Credit report: There are three credit bureaus (TransUnion, Experian, and Equifax), and each of them provide credit reports. This report details your credit score, your credit history, any outstanding loans and their status, and any negative marks on your credit. You may obtain a free credit report from any of these agencies once a year. It's important to check them at least annually—34% of Americans have an error on their report!

Debt-to-income ratio: Also known as the back-end ratio. This indicates how much of your income goes towards paying debts each month. Total debts include your mortgage payment (including taxes, insurance, and interest) and any other debt, such as auto loan payments, student loan payments, credit card payments, and child support. To calculate your debt-to-income ratio, take your total monthly debt payments, and divide it by your monthly income. So if your total monthly debt payments are $3,000 and your monthly income is $6,000, your debt-to-income ratio is 50%.

Down payment: This is the amount of money you put toward your loan. You may have heard that you need 20% for a down payment, but this is a common misconception. There are loans that only require down payments as low as 0-3%. It's important to talk with your lender about your options for a down payment.

Earnest Money: Also known as an earnest deposit, earnest money is what you put down with an offer to signal your sincere interest in the house. The amount can range from 1% of the home's value to over $20,000, depending on circumstances. If you proceed with the home purchase, the earnest money counts toward your total down payment. There are a number of situations which can lead to your earnest money being refunded or paid to the seller.

Equity: This is the value of your interest in the property. As you pay off the principal balance or the price of your home appreciates, equity increases. This is calculated by taking the fair market value of your home and subtracting the amount of principal you still owe on the house. Because the amortization schedule of fixed-rate and adjustable-rate mortgages are different, homeowners can have a different amount of equity built up in their house at a given point.

Fannie Mae and Freddie Mac: These are federally backed mortgage companies that were created by Congress to boost U.S. homeownership. Fannie's official name is the Federal National Mortgage Association (FNMA), created in 1938. Freddie's official name is the Federal Home Loan Mortgage Corporation (FHLMC), created in 1970. These companies don't lend directly, but they do buy mortgages from lenders, keeping them on their own books or bundling and selling them as mortgage-backed securities. Because they are federally backed, they are required to only purchase conforming loans.

FHA Loan: These loans are insured by the Federal Housing Administration. FHA loans often come with lower down payment requirements and low closing costs. Lower credit scores may qualify if you make a larger down payment, depending on the lender.

Fixed-Rate Mortgage: Unlike an ARM mortgage, this loan has a fixed interest rate, meaning it stays the same for the life of the loan. If after a few years you find a lower rate, you can refinance to change your interest rate (this involves paying closing costs again, because it is a new mortgage). If you originally had an ARM mortgage, you can also refinance to a fixed-rate mortgage. Remember, with mortgages and other types of loans, interest compounds, meaning that you'll end up paying more than just X% on the total loan amount.

Gross monthly income: This is your monthly income before any deductions or taxes are taken out. The quickest way to estimate your gross monthly income is to divide your annual salary by 12. If you work on an hourly basis, you can calculate your annual salary by multiplying your hourly wage by how many hours you work per week. Multiply this number by 52 to determine how much you make in one year.

Homeowners Association Dues: These are monthly fees charged and collected by a homeowners association (HOA). These monthly fees are used to pay for amenities, property maintenance, and repairs, and can vary significantly depending on the overall community and services provided. Most purchased condominiums, apartments, and planned communities have an HOA, and some neighborhoods with single-family homes may also have an HOA. When you purchase a home, it's important to understand any potential HOA fees that come with the property.

Homeowners insurance: This is a type of property insurance that covers losses and damages to your home, including furnishings and other assets within the home. It also provides liability coverage for accidents in the home or on the property. Homeowners insurance does not cover all types of damage—for instance, most policies won't cover flooding (flood insurance is available to purchase separately). When you shop for homeowners insurance, make sure you understand exactly what your policy would cover and any additional policies you may need.

Interest rate: Sometimes referred to as the loan rate, the interest is what a lender charges you in exchange for being able to borrow their money. It's calculated as a percentage of your total loan amount and added to the loan's principal balance. Your interest rate is determined by the lender and can depend on several factors, including your credit score, home location, home price, loan type, and more.

Jumbo loan: These mortgages are needed when the value of the home exceeds limits set by the Federal Housing Finance Agency (FHFA). In 2021, the FHFA set the maximum conforming loan amount at $548,250, meaning that anything above that is considered a jumbo loan. The loan maximum can vary by county, so be sure to look up your local regulations. The criteria for a jumbo mortgage are much higher than conforming loans since there's more on the line for banks. Expect to see credit score requirements greater than 700.

TERMINOLOGY

Loan amount: The loan amount is simply how much you are borrowing. This is not the same as the house's purchase price— it's just the money that the bank lends you. Your loan amount may include closing costs, if you and your lender decide it's the right choice for you.

Loan term: The loan term is the length of your home mortgage. Mortgages are typically repaid over a 30-year, 20-year, or 15-year period.

Nonconforming loan: Unlike a conforming loan, this type of loan does not adhere to FHFA guidelines, so it cannot be bought by federally backed companies like Fannie Mae or Freddie Mac. These loans typically have higher interest rates than conforming loans.

Option Fee: Unique to Texas, the sale contract on a home gives a potential buyer the right to terminate the contract by paying an "option fee" and informing the seller of the termination within a certain number of days after the effective date of the negotiated contract. The amount of the option fee is negotiable, paid to the seller, and generally between $250-$500. The number of days given to terminate is also negotiable. Option fees are refundable at closing.

PITI: This acronym stands for principal, interest, taxes, and insurance. All of these add up to your mortgage payment.

Planned Unit Development (PUD): A collection of homes intentionally developed and planned as a community. The neighborhood could have single-family homes, townhomes, or condos, can include amenities like tennis courts or golf courses, and can include both residential and commercial units. PUDs are typically regulated by an HOA or another kind of community board, and there are monthly fees paid by each property owner. For your budget's sake, it's important to find out what these monthly fees are and what they cover. If you're looking at a single-family property and it's listed as a condominium, it's most likely in a PUD.

Preapproval: A lender has reviewed your credit history, income, and other factors, and has also submitted your documents for an informal underwriting preapproval. You will have a letter that states your preapproval and the amount that you are preapproved for, barring any unforeseen circumstances that would disqualify you from the stated loan amount.

Prequalification: A lender has reviewed your credit history, income, and other factors and prequalifies you for a certain amount. This amount has not been confirmed by the underwriting process, and is subject to change.

Principal: All mortgage payments are made of at least two main components: principal and interest. The principal is the amount that you borrow from the bank when you take out your loan. This means that your initial principal balance will equal your loan amount. As you pay off your mortgage, your principal balance will decrease. Keep in mind that with most traditional mortgages, your first payments will consist mainly of interest. As you continue to pay off your loan, more of your monthly payment will go towards your principal balance. This is depicted in an amortization table.

Private Mortgage Insurance (PMI): This type of mortgage insurance is most often required when a home buyer makes a down payment of less than 20% of the home's purchase price. It's designed to help a lender recoup their losses if the borrower falls behind on payments and defaults.

Property taxes: Property tax is an ad valorem tax, meaning that it is based upon an item's assessed value. This means that the amount you pay in property taxes is directly related to your property's value and is calculated as a percentage. In the United States, taxes are determined on the local level by counties, school districts, cities, and special districts.

Title search: The title company will do a thorough search on the title of the home, making sure there are no secondary liens (debts) on the house that need to be disclosed. The title search also confirms that the seller of the house is legally the owner, and therefore allowed to sell the house.

Title insurance: This is insurance that you can purchase at the final signing. It protects you and the lender from damages resulting in title mistakes, like someone else claiming ownership, unpaid taxes, or hidden debts against the home. If there is a title mistake and another owner steps forward to claim the property, this insurance can protect you from financial loss. The seller can also purchase title insurance.

Underwriting: After you apply for a mortgage, the lender will verify your income, assets, debt, credit history, property details, and other information to make sure you're eligible for the loan.

VA Loan: The loans are guaranteed by the U.S. Department of Veterans Affairs and are available to qualifying service members and their spouses.

YOU GOT THIS!

You've completed our Guide for Homebuyers, and you're on the way to finding your new home.

At Amplify, we want everyone to find a great mortgage.

So what are you waiting for? Get prequalified today!

Visit goamplify.com to take advantage of the resources listed below:

CALCULATOR: Home Affordability

CALCULATOR: Rent vs Buy

CALCULATOR: Mortgage Payment

ARTICLES & ADVICE

- First-Time Homebuyer Resource Center
- How to Raise Your Credit Score by 200 Points
- Rent vs Buy: Are You Ready to Buy Your First Home?
- 11 Things to Research Before Buying a House
- How to Become a Homeowner in Five Years
- Before House Hunting, Get Your Pre-qualification!
- Home Appraisal Process: Everything You Need to Know
- How Much Are Closing Costs, Anyway?
- How Much House Can You Afford?
- Your Checklist to Finding Your New Home

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