










A GUIDE THROUGH THE MORTGAGE PROCESS

NAVIGATE HOME



Navigator
CREDIT UNION



	Introduction	1
	Is It the Right Time to Buy?	2
	Which Mortgage Is Right for Me?	3
	How Much House Can I Afford?	5
	Shopping for Your Home	6
	Loan Docs and Closing Costs	7
	Buying Your Home	8
	Frequently Asked Questions	9
	Navigating the Way Home	10



INTRODUCTION:

The Mortgage Process. All Mapped Out.

Buying a home is one of life’s most exciting milestones. It’s also one of the biggest purchases you’ll ever make. Whether you’re buying for the first time or moving up to something bigger, this process comes with a lot of moving parts and some crucial financial decisions.

Sound scary? It doesn't have to be. And it doesn't need to be overly complicated either. With the right preparation, an experienced team and the info in this guide, you'll be well equipped for each step of the journey ahead:

- Understanding home loans and exploring your options
- Qualifying for your mortgage
- Finding the right home

- Finalizing your home loan and completing your purchase
- Making the most of your new place

If you’re new to the mortgage process or want a refresher, this guide is for you. Read on for the tips you need to make the homebuying process smoother and simpler – so you can make the most of this big opportunity.



If you're new to the mortgage process or want a refresher, this guide is for you.



Is It the Right Time to Buy?

As with any major decision, the first step is to determine if now is the right time. These tips will help you know if buying a home now makes sense for you.



CHECK YOUR CREDIT SCORE

Your personal credit score is one of the main factors determining your eligibility for a mortgage and ability to get the best rate. A healthy score is usually considered 740 and above. American consumers are entitled to one free credit report per year from the three big credit rating agencies. The government's official website to order these reports is annualcreditreport.com.



MEET YOUR LOCAL MORTGAGE TEAM

If you're a first-time homebuyer, you probably have plenty of questions. Along with a knowledgeable real estate agent, you'll need an experienced, attentive mortgage specialist who can answer those questions. You can set up a free, no-obligation consultation with one of Navigator's friendly mortgage professionals. He or she will take time to understand your needs, go over your credit report with you and – when you're ready to move forward – guide you through the application process.



WATCH YOUR CASH FLOW

Along with having money saved up for your mortgage down payment and emergency expenses, it's essential to determine that you can afford a monthly mortgage payment. After all, no one wants to be "house poor." Take stock of all your monthly bills, such as rent, utilities, car payments, groceries and other day-to-day costs. Whether you rent or own, it's best to keep your monthly housing costs below one-third of your monthly income.



GET PRE-QUALIFIED

To help you know how much house you can afford, we can provide a free pre-qualification. This will show you how much financing you qualify for based on your current circumstances. This will give you a realistic price range to guide you as you start house hunting. And, we can provide a pre-qualification letter, which can show sellers you're a serious buyer.

BUYING YOUR FIRST HOME?

Here are 7 reasons first-time homebuyers turn to Navigator:



- 1 Step-by-step guidance from a friendly local mortgage professional
- 2 Lower rates than you'll find at most banks and online lenders
- 3 Wide range of loan options
- 4 Free online applications
- 5 Local loan decisions for greater flexibility and timely processing
- 6 No surprises: Our 30-year mortgages are usually serviced in-house – not sold to other institutions
- 7 As a member-owned, not-for-profit credit union, we pass along our earnings to you through better rates and fewer fees



Which Mortgage Is Right for Me?

People buy homes for lots of different reasons. Maybe they need room to start a family, want to upgrade to something bigger, need to downsize for more simplicity or want to stop paying a landlord and start building wealth. Along with your goals, your financial circumstances will help determine the mortgage that’s right for you. But before we discuss your options, first things first:

WHAT IS A MORTGAGE?

A mortgage is a home loan in which your house serves as the collateral. The money you borrow from the lender must be paid back – with interest – over time. Because the financing is secured by the home itself, failing to repay the loan can result in the property being “repossessed” by the lender through a legal process called foreclosure.

Mortgages come in many different forms. To understand your options, here are some key terms to know:

CONFORMING AND NON-CONFORMING LOANS

These terms refer to whether a loan meets the lending criteria set by Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation), two government-backed institutions designed to support the housing market by buying mortgages from private lenders. To qualify for a conforming loan, a borrower must meet specific lending requirements, such as credit score and minimum down payment. Mortgages that don’t follow these exact guidelines are non-conforming.

USDA-GUARANTEED LOANS

In the same way as Fannie Mae and Freddie Mac support the overall housing market, the USDA (U.S. Department of Agriculture) supports the housing market in rural areas by buying qualifying mortgages. These USDA-guaranteed mortgages offer lower interest rates and down payments, however mortgage insurance may be required.

CONVENTIONAL LOANS

A conventional loan simply means the mortgage isn’t provided through a government agency like the USDA, FHA (Federal Housing Administration) or VA (Department of Veterans Affairs), which have different borrowing requirements designed to support homebuyers who may not meet the eligibility requirements for a conventional mortgage.

OWN YOUR HOME FASTER WITH A TurnKEY MORTGAGE

If you’re a buyer or homeowner with a special interest in eliminating mortgage payments more quickly, Navigator’s TurnKEY Mortgage is a great way to reduce your number of loan payments and own your home faster. Features of this unique loan include:

- No origination fee or closing costs
- Low, fixed rate with a 10-year term
- Available for refinances and new purchases

It’s a valuable way to pay off your mortgage quickly and build equity.

To learn more, speak with your Navigator mortgage specialist today.

continued on the next page ...



continued from the previous page...

FIXED VS. ADJUSTABLE RATES

The cost of financing your home is paid in the form of interest, but how your interest is calculated depends on the loan. While there are a number of different interest rate structures available, they fall into two basic types:

- **Fixed-rate mortgages** keep the interest rate the same over the life of your loan. This gives you a predictable monthly payment, making it easier to budget monthly expenses, and helps you avoid paying more if interest rates climb. For this reason, fixed-rate mortgages are the only mortgages that Navigator Credit Union offers.
- **Adjustable-rate mortgages** are tied to an interest rate index and readjust periodically. This option typically provides a lower fixed rate for a set number of years before switching to a variable rate for the rest of the term, which can mean significant increases in your monthly loan payments. At Navigator, we do not believe it is in the best interest of our Members to offer this type of mortgage.

LOAN TERM

The term is how much time you have to pay back your loan – and by extension, own your home. Common terms include 10, 15, 20 and 30 years. The length of your term helps determine your rate and the size of your monthly payment. The 30-year mortgage is most popular because it gives buyers with limited cash plenty of time to pay down their loan balance, keeping monthly payments lower. But, this flexibility also comes with a higher rate and more time for interest to accrue.

DOWN PAYMENT

For conventional loans, lenders often require a down payment of 5–10% of the home’s purchase price, due at closing. However, making a larger down payment can help you reduce your rate and the overall cost of your loan.

You can further reduce the interest rate you pay through mortgage points, also known as discount points. These are fees you pay in advance to lower your rate. This can be a good way for long-term borrowers to save money over time, but be sure to ask your lender if points are right for your situation.





How Much House Can I Afford?

When deciding how much you can spend on your new home, it's important to consider all the costs that come with homeownership. Along with your mortgage payment, you'll need to pay property taxes, homeowners insurance, the cost of maintenance and repairs and mortgage insurance (if your down payment is less than 20%).

While local taxes, insurance premiums and maintenance costs may change over time, doing your homework will give you a clear picture of how your mortgage's principal and interest payments will impact your monthly spending.

INTEREST RATE VS. APR

While a rate tells you the cost of borrowing the principal loan amount, your annual percentage rate (APR) also reflects points, fees or other charges related to servicing your loan, and it's typically a bit higher. The APR gives you a more accurate picture of the cost of your loan and can be plugged into an online mortgage calculator to show you your monthly payments.

AVOID LAST-MINUTE SURPRISES

When applying for a mortgage, don't make other major purchases or apply for other types of loans, such as credit cards. These can impact your credit or debt-to-income ratio, which could affect your ability to get approved.

WATCHING LOAN RATES

Like other markets, real estate is cyclical; interest rates can start low and climb steadily over time. For borrowers with fixed-rate mortgages, there's a big advantage in securing your loan before rates get high. Check with your Navigator mortgage specialist if you have questions about interest rate trends and what they mean for borrowers.

CONSULT YOUR PRE-QUALIFICATION LETTER

Getting pre-qualified doesn't just tell you if you're eligible for financing; it lets you know what you can afford to pay for a home. Be sure to rely on this information as you set your homebuying budget.

CALCULATE YOUR PAYMENTS

Use our handy online calculator to get an idea of the monthly cost of different kinds of home loan:

navigatorcu.org/learning/money-calculators

SEE OUR RATES IN REAL TIME

For an up-to-date look at our mortgage rates, visit:

navigatorcu.org



Shopping for Your Home

As you start house hunting, it's a good idea to come up with a detailed list of both needs and wants. What are your top priorities? Maybe you want to be in a good school district or walkable neighborhood. Maybe you need a specific number of bedrooms or bathrooms. Be clear about what's a must and what's just a perk.

FIND YOUR REAL ESTATE AGENT

Like your lender, your real estate agent is a valuable ally in the homebuying process, providing the local know-how you need to find the right property and the experience to guide you through the bidding and closing process. Talk to trusted friends and family members, who can often provide a recommendation. Because this is such a major decision, it's worth interviewing multiple agents in your area to find the right one.

A great real estate agent is someone who:

- Will move quickly when a new listing goes on the market
- Is experienced with all the aspects of homebuying, such as buying and selling, title services, appraisals, inspections and negotiations
- Specializes in the type of home you're looking for (such as single-family homes or condos)
- Has plenty of local relationships
- Will advise you honestly when submitting an offer
- Actively communicates with you, your lender and other professionals to ensure a smooth process

If a potential agent isn't a personal referral, be sure to ask for three references from homebuyers he or she has previously served.

GET TO KNOW THE NEIGHBORHOOD

When you've found a home that looks like a good fit, do some research into the local community. Ask the neighbors about the schools, taxes and local amenities, as well as the quality of municipal services (like road maintenance and trash collection).

Remember, each home's asking price is influenced by the recent sale prices of nearby properties. In terms of the investment potential of a home, bear in mind that the most expensive house on the block could have its value pulled down by lower-priced houses nearby.

FINDING "THE ONE"

Keeping your emotions out of the home selection process is a tall order, but do your best to view each contender objectively. The right home for you may not be perfect: cosmetic details like ugly wallpaper or weeds in the yard can be easily fixed, but major structural and functional issues are usually deal breakers.





Loan Docs and Closing Costs

While you and your real estate agent visit homes in the area, make sure you've carefully organized all the documents needed to complete your mortgage application. Your Navigator mortgage specialist will provide a list of required documents similar to the list below. These documents will help us understand your financial status, and that of any cosigner or co-borrower, in order to approve your loan.



KEY DOCUMENTS

- Recent pay stubs for each applicant
- W-2s and tax returns for the past two years
- Bank statements for the past three months
- Employer names and addresses
- Proof of other non-payroll income (e.g., dividends, bonuses, child support, social security or disability payments)
- Paperwork regarding your loans and other financial obligations (e.g., car loans, student loans, credit cards and alimony)
- If you are self-employed, a P&L statement in addition to two years of tax returns

WHAT CLOSING COSTS SHOULD I EXPECT?

Fees vary according to your type of loan, where you will live and the kind of home you're buying. These are some common closing costs:

- Loan origination fee, which lenders charge for making the loan
- Discount points (optional fees that can be paid to help lower the interest rate)
- Underwriting fee for the cost of reviewing your loan application
- Processing fee (includes credit report, flood certification and other miscellaneous charges)
- Appraisal fee
- Title search fees
- Title insurance, which protects you and the lender in case of disputes over the property's ownership
- Recording fee, which is paid to the city or county that maintains land records
- Inspection charges
- Deposit and related fees for your escrow account (which holds a reserve of cash to pay your homeowners insurance and local taxes)



Navigator Members benefit from lower closing costs than most other mortgage lenders provide.



Buying Your Home

SUBMITTING AN OFFER

Once you've found a house that meets your needs, you and your real estate agent will submit an offer. The seller may choose to accept your offer or come back with a counteroffer. There may be some back and forth with the seller as you and your agent negotiate the price and other terms to reach an agreement that satisfies both parties.

INSPECTION

Once the seller has accepted your offer, your agent will help you arrange for a home inspection, a crucial step in which the house is assessed by a third-party professional. Your home inspector will examine the inside and outside of the house and inspect the condition of its structure and major systems. Also, you may want to consider investing in a home warranty for additional protection.

It's a good idea to join the inspector during this process so you can discuss the inspector's findings. Afterward, you'll receive a detailed report, which includes documentation of both mandatory repairs (such as faulty wiring that isn't up to code) and potential issues (such as an aging AC unit). Based on this report, you may decide to ask the seller to fix the problems or reduce the selling price, or – if the problem can't be resolved – you may decide to walk away from the deal.

FINALIZING YOUR MORTGAGE

If you're comfortable moving forward with the purchase, it's time to finish processing your mortgage application. Your Navigator mortgage specialist will:

- **Collect and process documents** needed for the underwriting process. To ensure fast processing and an on-time closing, be sure to provide all requested documents in a timely manner.

- **Verify you have homeowners insurance**, which helps protect you and your lender in case of major damage to the property. We can help you find a suitable insurance provider if you don't have one.
- **Arrange an appraisal** to ensure the home's current market value justifies its sale price (and the amount of your mortgage).
- **Complete a title search** to ensure there aren't any legal or financial issues (such as liens against the property) to prevent the home's sale.

Once your mortgage is officially approved, your rate will be locked for a set period of time, which ensures the rate and terms of your loan won't change before closing day. You've reached the home stretch!

CLOSING DAY

Ownership of the property is transferred on closing day, at a time and place agreed upon by you and the seller. Prior to closing day, it's a good idea to do a final walk-through of the home to make sure it's in the condition that it should be. Closing is typically attended by you, the seller, and your respective real estate agents and attorneys, along with attorneys or representatives from the title company.

At closing, you'll sign the documents finalizing your mortgage and the sale of the home, and you'll pay any remaining closing costs.



Congratulations! You're a proud new homeowner.



Frequently Asked Questions

Here are some of the most common questions we hear from homebuyers.

HOW DO I QUALIFY FOR A MORTGAGE?

We consider many factors when reviewing your application, but the four main criteria are:

- **Credit score:** This tells us about your history as a borrower and helps us determine your ability to make monthly loan payments, as well as the interest rate you'll receive. The quality of your score depends on your payment history, how long you've had credit, how much you've borrowed in the past and other factors.
- **Debt-to-income ratio:** This is based on how your monthly expenses (such as rent, credit card bills and other payments) compare to your gross monthly income.
- **Down payment:** This is the amount of the home's sale price you pay up front. It's typically the largest closing cost, and a higher down payment can help lower your interest rate.
- **Employment history:** Your employment and other sources of steady income are also considered when determining your ability to manage monthly mortgage payments.

WHAT IS AMORTIZATION?

Amortization refers to the process of gradually paying off your loan principal and interest through regular installments, as determined by your loan's term and amortization schedule.

WHAT IS PRIVATE MORTGAGE INSURANCE (PMI)?

PMI helps protect lenders if borrowers fail to repay their loans, and it gives borrowers the option to pay less up front. For conventional loans, it's required when your down payment is less than 20% of the home's sale price. But, if you're current on your mortgage payments, this requirement is lifted once your loan balance drops below 78% of the home's sale price.

WHAT IS THE TITLE?

Title refers to legal ownership of a property. To help protect against the possibility of legal disputes, a specialized title company will be involved in the sale of the home. Ownership and transfers of ownership are typically recorded with the county or local government.

WHAT ARE THE LOAN ESTIMATE AND CLOSING DISCLOSURE?

By law, lenders must be transparent about the costs and terms that come with a mortgage. Three days after you apply for your home loan, you'll receive a Loan Estimate that explains the full terms and estimated costs of your financing. And three days before you settle, you'll receive a Closing Disclosure that provides detailed, finalized information about the loan terms, projected monthly payments and closing costs.

DO I NEED AN ATTORNEY?

It varies from state to state. While not all states require you to hire an attorney or have one present at closing, it can be a good idea to work with one specializing in real estate who can support you by preparing documents and advising you on the legal and financial implications of this transaction.



Navigating the Way Home

Ready to begin your homebuying journey? Talk to us. As a trusted credit union that's been serving local homebuyers for 80 years, we make buying a breeze with:

- Flexible options with great rates
- 13 full-service Branches along the Mississippi and Alabama Gulf Coast
- Step-by-step guidance from a friendly team
- Free online applications and fast, local decisions
- In-house servicing for 30-year mortgages
- Spanish-speaking team members

And, as a not-for-profit credit union, we're here to serve you, not Wall Street. This means we can provide our Members with a full range of quality financing and banking products, but with better rates, fewer fees and the flexibility you won't find at most institutions.

MAKE THE MOST OF YOUR HOME – AND YOUR MORTGAGE

Along with providing greater freedom and a better quality of life, your home can be one of your most important financial assets. Down the road, these valuable financing options from Navigator can help you get even more out of the home you love.



REFINANCING

Stronger credit, a big raise, lower interest rates and other factors may provide an opportunity to save money with refinancing. By paying off your current mortgage with a new, lower-rate loan, you can lower your monthly payment, own your home faster or extend your loan term for greater flexibility.



HOME EQUITY LINE OF CREDIT

Home improvements are a great way to boost your quality of life and the value of your property. With a home equity line of credit, which is secured by the equity in your home, you can access cash as needed to build an addition, redo your kitchen, pay tuition, pay off high-interest debt or practically anything else.

LET'S TALK ABOUT YOUR HOMEBUYING PLANS.

Set up a free, no-obligation consultation or start your pre-qualification today!

Visit navigatorcu.org | Call 800-344-3281, option 5 | Email mortgage@navigatorcu.org



navigatorcu.org | 800-344-3281, option 5

NMLS# 646402. Federally insured by NCUA. Equal Housing Opportunity Lender 