

ALTRA  HOME



**BASICS OF  
HOME BUYING**

## STEP 1 - PREAPPROVAL

When you're ready to buy, the first step is to talk with an experienced lender. You can call or email to make an appointment to explore your options and ask questions. Some borrowers prefer to apply right away. You can apply online any time 24/7/365 and a lender will contact you. Altra's experienced lenders will review your income, debts, savings, then obtain your credit report, and go over the loan program that best fits your needs. Here are a few basics of home buying that are good to know:

### 1. CREDIT SCORE

- We will obtain your credit report and review your credit information and other documentation to determine the best loan option for your personal situation.
- Credit Scores attempt to predict how reliably a borrower will make payments. The higher a borrower's score, the more likely it is they will make on-time payments. Mortgage rates and terms are priced based on risk - in other words, the higher your credit score the lower your interest rate is likely to be.

### 2. INCOME

- Income and/or job stability are important in determining whether you are able to take on additional debt and handle the monthly payments of your new home.
- We will ask you to provide documentation of your income and source of down payment. With changes in technology, we may be able to verify your employment and income electronically without any documentation from you. If we can't, we typically need your two most recent pay stubs and W-2s from the last two years. Self-employed or commissioned borrowers (and some others) will need to provide two years of signed federal tax returns. Your lender will let you know if you need to supply these.
- Your lender will calculate ratios to help determine what price range you should be considering for your purchase. We want to see members get the house of their dreams, but we also want to help them to not over-extend themselves.

### 3. DOWN PAYMENT

- Most loans will require a 5% down payment. Typically we need your two most recent monthly savings and investment account statements to document the source of your down payment.
- FHA loans require a 3.5% minimum down payment and it can be fully gifted from a family member.
- Eligible veterans can obtain a Federal VA loan without any down payment required.
- In some communities, grants and/or forgivable loans may be available for first time homebuyers with low or low-to-moderate income (ask Altra's experienced lender if you qualify).

When you and your lender have determined the amount you are comfortable borrowing, they will issue a preapproval letter indicating the pre-approved maximum purchase price. You can provide this to your real estate agent and/or sellers when making an offer on a home. A preapproval letter provides you with a competitive advantage over other potential buyers who are not yet preapproved.

## STEP 2 - HOUSE HUNTING

You may have already found the home of your dreams, but if not, you can start looking for homes that fit your approved loan amount and that have the features and style you want and are located in the area where you wish to live. We suggest working with a Realtor as they have access to many homes and can narrow the selection for you. Remember, you can choose a Realtor to work for you as a buyer without incurring any additional expense. We suggest you find one you're comfortable with rather than working with the Realtors who are representing the interests of the sellers of the homes you are viewing.

## » STEP 3 - MAKE AN OFFER

When you have found the “perfect” home, you will make an “offer to purchase” which is a legal contract between you and the seller that, once accepted, becomes binding subject to contingencies.

Typical contingencies include appraisal, financing, a satisfactory inspection, plus any additional contingencies your Realtor may suggest. Once your offer is accepted, you will provide Earnest Money to the seller. This is essentially a small down payment to demonstrate the seriousness of your offer.

Once the offer is accepted, you will provide the fully executed purchase contract (signed by all parties) on the home you wish to buy, plus any amendments or counter offers, and receipts for earnest money or down payment deposits to your Altra lender. We'll get the loan started by providing loan disclosures for you to review, sign, and return.

We'll then order the appraisal (used to determine the market value and that the price you are paying for the home is reasonable), arrange for title insurance, and process and underwrite your loan so it is completed and ready for your closing.

## » STEP 4 - UNDERWRITING

When the appraisal is received and all other documentation is collected and reviewed, your loan request will be reviewed by our underwriting department for final approval.

## » STEP 5 - CLOSING

Once approval is received we will coordinate and confirm a closing date and time with all parties. Contact your insurance agent at least 10 days before your closing date so they can provide us with the homeowner's insurance binder.

The loan closing will be conducted by a title company, attorney, or an Altra lender. If you need to bring anything to the closing, we will inform you in advance. After signing the required documents, you'll get the keys to your new home. Congratulations!

## SOME OTHER THINGS TO KEEP IN MIND...

- Provide all information your lender requests as quickly as possible and sign and return all forms and disclosures the same day you receive them.

Remember - delays in response almost always mean delays in closing your loan. The mortgage loan process includes a couple of times when the borrower needs to sign or acknowledge something before we can continue the process. The sooner we get your acknowledgement, the faster the process will be. Using e-consent can help keep the process moving. Your lender will assist you with this.

Also, if any of your personal information or life circumstances change (such as a change in employment, acquiring additional debt, or a decrease in the amount of money you have in savings), it could prevent us from closing the loan as expected. To avoid negative surprises, it is very important to discuss any debts you are contemplating, such as buying a car, getting a new credit card, buying furniture for your new home, etc. with your Lender before doing them.



# WHAT TO EXPECT: HOME LOAN PROCESS

# WHAT CAN YOU EXPECT NEXT?

*7 important steps to follow*

Thank you for applying for your home loan with Altra Federal Credit Union. Your loan request will go through the following steps over the coming weeks. We've also provided actions you can take to keep your loan request moving forward to a successful and timely loan closing.



## 1. ELECTRONIC SIGNATURE CONSENT FORM

You will receive an email request from Altra that will include our logo, and state that it is from eFolder@elliemae.com. Ellie Mae is the technology provider for our mortgage loan process. The email asks you to consent to electronically sign (eSign) your loan documents by following a link to our secure internet site. While you still have the option of signing hard copies (wet sign), it is highly recommended that you agree to electronic signatures to enable us to provide the quickest turnaround on your loan file. For your benefit and protection, government regulations require waiting periods between providing you documents and the next steps of the loan (including closing) at several stages of your loan. The ability to deliver these documents to you electronically reduces mail time and processing time on your file. There will be a security access code required for all eSigned documents.

Your code is \_\_\_\_\_ .

It will be important to monitor your email during the loan process for application disclosures, and updates on your loan file. Remember to check your SPAM folders periodically in case your email filters out some of your incoming mail.



## 2. LOAN APPLICATION DISCLOSURE AND INTENT TO PROCEED

Once you have consented to eSign, we will send the initial application/disclosures to you in the same way the Electronic Signature Consent form was provided. If you do not consent to eSign this package will be mailed to you. In either case, it is important that you review and sign these documents quickly. This package includes an Intent to Proceed form that government regulations require we have before we can order your appraisal and other required services related to your loan.



## 3. APPRAISAL AND OTHER SERVICES

Once we've received your Intent to Proceed form, we will order the appraisal and other required services. The appraisal is the determination of the property's value by comparing it to other properties recently sold in the area. This is completed by a licensed local appraiser. It can take a while to get this done depending on how busy the home buying/refinancing market is. You will be able to access your appraisal online and will receive another email link to view it once it is available.



## 4. INITIAL UNDERWRITING REVIEW & FURTHER DOCUMENTATION

While the home is being appraised, our Underwriting Department will review the loan file and the documentation that you have provided. Every file is underwritten to the same standard to meet regulatory and investor guidelines. We may ask for additional information and/or documentation to make sure the loan meets all required guidelines. You will have online access to upload your loan documentation on our secure web site. Thanks for your patience during this process. We understand it can be a little stressful when you are buying or refinancing your home. Providing us with your loan documentation quickly and thoroughly will ensure the timely processing of your file and avoid unnecessary delays.



## 5. HOME INSURANCE

During this process you should be shopping for your home owners insurance. The home insurance must list Altra (or SunTrust or Citizens Bank if you are in an FHA or VA loan) as the mortgagee on the policy as shown below. Your loan originator will advise you which one to use. The first year of premium must be paid either in advance to your agent, or at the time of closing. We will need the coverage information (Declarations Page) and an invoice or paid receipt for the first year premium at least 20 days ahead of your scheduled closing so underwriting can issue final approval.

### Mortgagee Clauses:

Altra Federal Credit Union  
Its Successors and/or Assigns  
1700 Oak Forest Drive  
Onalaska, WI 54650

SunTrust Mortgage, Inc  
ISAOA/ATIMA  
PO Box 47047  
Atlanta, GA 30362

Citizens Bank, N.A.  
ISAOA/ATIMA  
PO Box 202060  
Florence, SC 29502



## 6. FINAL UNDERWRITING REVIEW

Once the appraisal is received, and all other documentation is in, our Underwriting Department will conduct a final review and make a final decision your loan. When approved, the loan will move to our closing area and your final settlement and loan documents will be prepared. You will receive a final email with your Closing Disclosure. This disclosure will outline the details of your loan purchase transaction including your final loan costs, and the exact amount of money you will need to bring to closing. Regulations require that you have at least 3 business days to review the disclosure before the actual closing. All funds for the day of closing must be certified (cashier's check payable to the closing agent, or funds on deposit with Altra so we can withdraw and/or wire at your direction as needed).



## 7. CHANGES DURING THE LOAN PROCESS

It is best not to make any major changes to your financial situation during the loan process such as large purchases, job changes, large deposits or withdrawals from your accounts, and so on. If you do have a life event or substantial change to your situation, please discuss it with us so we have accurate loan information and adequate documentation for underwriting. This will also ensure a smoother loan experience and avoid unnecessary delays.

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CONVENTIONAL  
LOANS

**A conventional loan is any loan that is not government insured or guaranteed.**

**Examples of common types of conventional loans are as follows:**

- **Fixed Rate** – the interest rate is fixed for the life of the loan (i.e., 30, 20, 15 or 10 years). This is the most popular conventional loan program as it has the least amount of risk for the homebuyer.
- **Adjustable Rate Mortgages aka ARM Loans** – these are adjustable rate mortgage products (5/1 or 7/1 ARMs) where the interest rate is fixed for the first 5 or 7 years, and can then adjust annually thereafter. Adjustments are based on movements on a U.S. Treasury securities index. There is typically a 2% limitation (cap) on increases or decreases annually at each adjustment, and a lifetime cap of 6%.
- **Balloon loans** – these are fixed rate loans that typically have a maturity date of 3 or 5 years. Payments may be amortized over terms up to 30 years, but the loan does become due and payable when it “balloons” on the maturity date. There is no guarantee of renewal or a refinance, but often it is probable that it can be - assuming all payments are made as agreed and a borrower’s credit picture has not changed substantially for the worse since the loan was originally made.

Most fixed rate conventional loans at Altra are sold on the secondary mortgage market, usually to Fannie Mae, with the servicing handled here at Altra. This means that your file is here in our vault, your payments are made here, and questions about your loan are handled here. We need to be sure that we meet all the underwriting requirements of Fannie Mae when we approve and close your loan.

The ARMs and balloons are portfolio loans, which mean that Altra funds and services them here. We typically use the same underwriting guidelines as a secondary market loan, but have some flexibility in unique situations.

We can typically finance up to 95% of the purchase price or value of a property, whichever is less. This is dependent upon credit score, loan purpose, and other factors. When we lend above 80% we obtain private mortgage insurance (PMI) – which is insurance for the lender in case of default. With this insurance in place we effectively have an 80% loan. There is a small monthly premium for this insurance which is added to your monthly house payment. Once your loan reaches 80% of the value, the PMI can be canceled.



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# GOVERNMENT LOANS

## **FHA LOANS**

FHA loans are fixed rate loans that are insured by the Federal Housing Administration. All FHA loans originated at Altra are sold on the secondary market to another lender, which means that you will make your house payments to that lender. We select lenders that have an excellent track record with their loan servicing.

### **Benefits of an FHA loan include:**

- Minimum down payment of 3.5%, which may be gifted by a relative.
- Relaxed guidelines – FHA guidelines are somewhat more forgiving than a standard fixed rate mortgage. Borrowers with higher debt to income ratios or less than perfect credit have a better chance of loan approval.
- When a home buyer does not qualify for conventional financing, at times this is the only program that will work.

### **Drawbacks:**

- FHA loans require an upfront mortgage insurance premium (UFMIP) and monthly mortgage insurance premiums. Unlike a standard conventional loan, on loan terms greater than 15 years (20 or 30 year mortgages), the monthly premium will not be canceled even when the loan is paid below 80% of the property value.

## **FEDERAL VA LOANS**

VA loans are available to qualified veterans that have or will obtain a Certificate of Eligibility. These are fixed rate loans that are guaranteed by the Veterans Administration. All VA loans originated at Altra are sold on the secondary market to another lender, similar to FHA loans.

### **Benefits of a VA loan include:**

- No down payment required in most cases (if you have previously used your eligibility and it has not been fully restored, a down payment may be needed).
- Funds required for closing costs may be gifted by a relative, or may be paid by the Seller in a purchase situation.



# FREQUENTLY ASKED QUESTIONS

## ASK THE EXPERTS

### » BUILDER

- When do I start planning?
- How long does it take to build a home?
- What costs can change?
- What do I need to know before I buy land?

### » REALTOR

- Should I use a realtor?
- What is Earnest Money?
- What are Seller Credits?
- Who pays buyer-side commission?
- How many homes should I see before making an offer?

### » APPRAISER

- What does the appraiser look for?
- What improvements add value?
- How long does an appraisal take?
- How long are appraisals good for?

### » HOMEOWNERS INSURANCE

- What factors can affect premiums?
- What's included with Homeowners Insurance?
- What options are available to help protect my assets?
- What's a deductible?

### » LENDER

- How much do I need to put down?
- What loan programs are available?
- How do I get pre-approved?
- What is Mortgage Insurance?
- What are escrows?
- What does local servicing mean?

### » HOME INSPECTOR

- How important is a home inspection?
- How much will it cost?
- What does it include?
- Can I be there for the inspection?

### » TITLE COMPANY

- What is Title Insurance?
- How long does it last?
- Why should I get an Owner's Policy?
- What if I refinance?

**Altra**  
Federal Credit Union

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