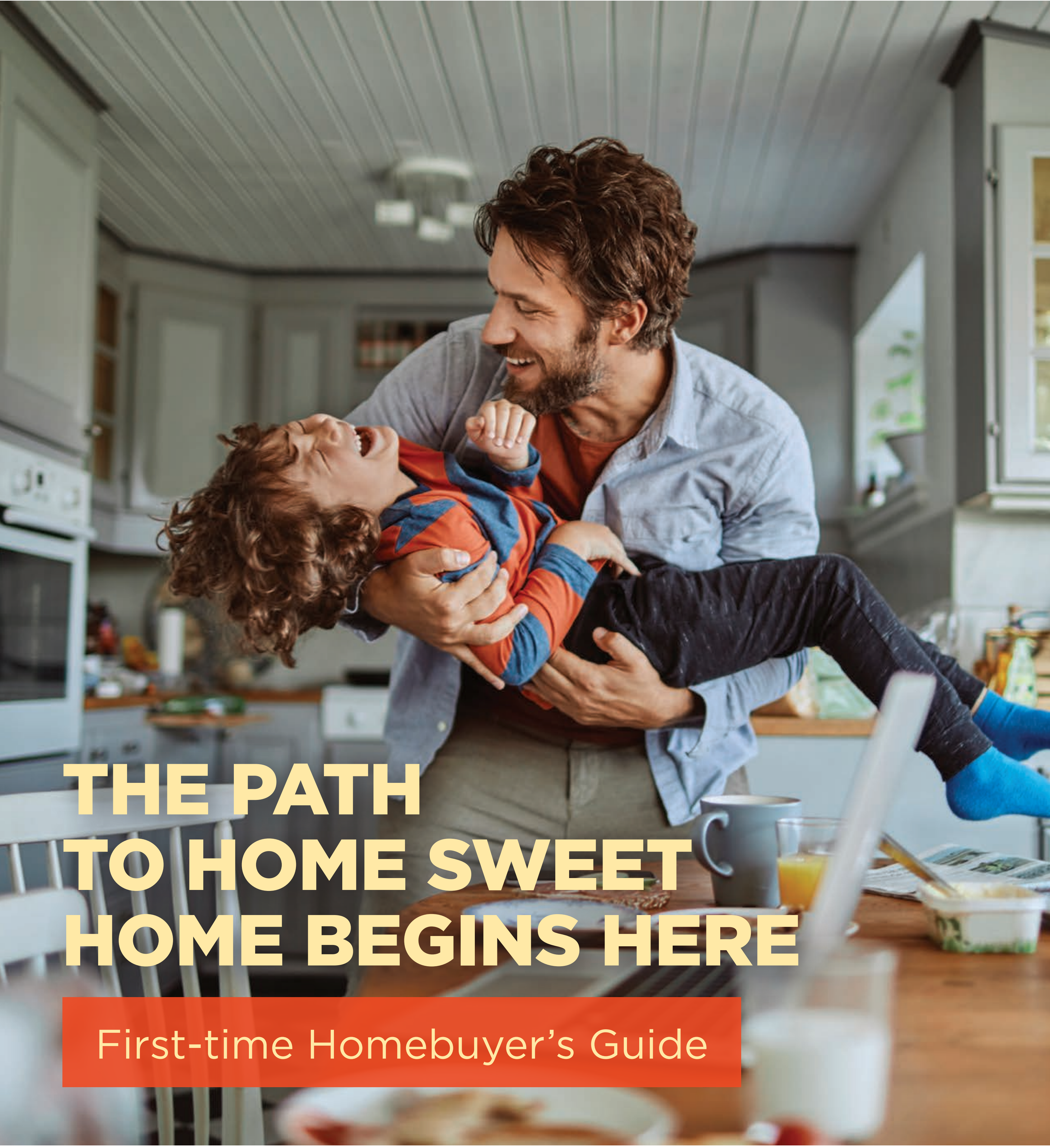
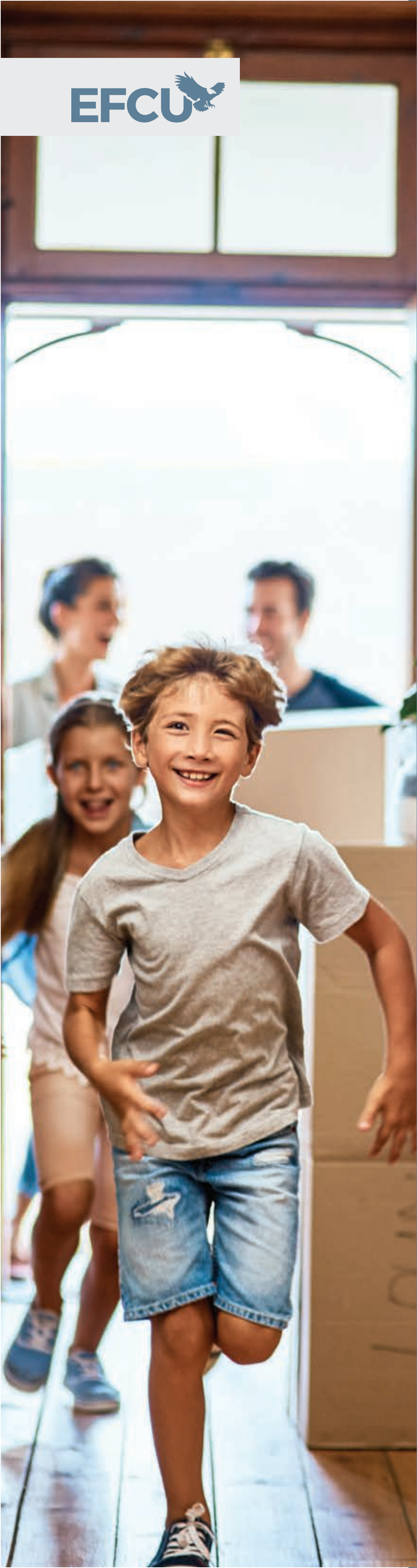


THE PATH TO HOME SWEET HOME BEGINS HERE

First-time Homebuyer's Guide

EFCU



Are you ready to take the big step and buy your first home?

We've got you covered!

The thought of buying your first home is very exciting! But, the process of buying your first home can be very daunting and confusing without an expert to help guide you through. The EFCU mortgage lending team is here to help you, step by step, from pre-qualification to closing. We'll provide you with the guidance you need to buy your first home with confidence!

In this guide, you'll find:

- What home loans are and how they work
- Finding the best home loan to fit your needs
- What's needed to qualify for a home loan
- House hunting and money saving tips

Ready to get started on the path to homeownership? Let's go!

HOME LOANS 101

What is a mortgage loan?

A mortgage loan is a home loan in which your house functions as the collateral. You borrow money from a lender to buy a home. You must pay back the loan with interest over a set period of time through monthly home loan payments. If you fail to pay back the loan, the lender may take ownership of the property through a legal process known as foreclosure.

How is my home loan payment calculated?

A monthly home loan payment includes at least two parts: The amount that goes toward the principal of the loan (the money you've borrowed) and an additional amount that goes toward interest (the cost of borrowing the money). For most homeowners, however, there is also a third part of the home loan payment: The amount that is paid into an escrow account, which the lender maintains for you to pay for things such as your homeowners insurance, property taxes and private mortgage insurance (if applicable). This is an element that can affect whether your payment goes up or down annually, even on a fixed-rate home loan.

What does amortizing mean?

Amortizing refers to reducing the loan balance by paying principal and interest on an established schedule or term. By making regular scheduled payments on time, you will pay off your home loan by the end of the specified term (e.g. 30 years or 15 years).

What is homeowner's insurance, and do I need it?

Homeowner's insurance will cover losses and damage to your property, if something catastrophic occurs, such as fire, wind or theft. Standard homeowner's insurance doesn't cover damage from earthquakes or floods, but a lender may require that you add this coverage if, for example, your home is in a flood zone.

Your home lender will want to make sure your property is protected by homeowner's insurance, and you will be required to provide proof of it before the loan is funded.

What is mortgage insurance, and do I have to have it?

Your lender will require mortgage insurance, if your down payment on a home is less than 20 percent of the appraised value or sale price. Mortgage insurance protects the lender, if the borrower fails to repay the home loan. As the borrower, you pay the premiums for the mortgage insurance. The type of mortgage insurance depends on the type of home.

- FHA-insured loans require a mortgage insurance premium (MIP)
- VA loans require a funding fee
- Conventional loans can be insured with private mortgage insurance (PMI)

What are the benefits of Private Mortgage Insurance?

- When you have PMI, you can get into a home with a much smaller down payment and keep more of your savings intact for a rainy day fund or other purposes.
- Home loans with PMI often have lower payments than equivalent loans insured by the FHA.
- Once your home loan balance drops below 78% of the original value of your home, your lender will cancel PMI, assuming your loan payments are current (unlike the FHA mortgage insurance, which has to be paid for the life of the loan).

What are closing costs?

When your home loan closes, you will be required to pay closing costs, which are fees charged by lenders and third parties related to the purchase of your home, in addition to the down payment on your home. Most of the time, it is the home buyer who pays the closing costs, although on some loans such as VA loans, the seller pays a portion of the closing costs. Additionally, your real estate agent can sometimes negotiate with the seller to pay a portion or all of your closing costs.

Private Mortgage Insurance (PMI) is required on home loans with down payments of less than 20%. But, PMI isn't just an added expense. There are benefits!

What charges are included in closing costs and how much are they?

Closing costs vary widely based on where you live and the property you buy. Typically, home buyers can pay up to 3 percent of the purchase price of their home in closing costs, which include:

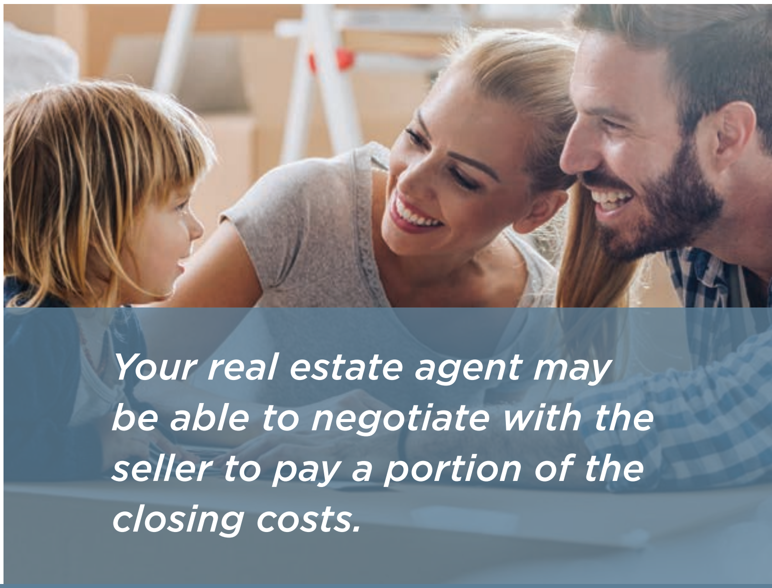
- A loan origination fee, which lenders charge for making the loan
- Discount points or fees you pay in exchange for a lower interest rate
- Underwriting processing and document fee covers the cost of evaluating a home loan application
- A credit report fee
- Appraisal fee
- Tax service fee to monitor if property taxes have been paid on time
- Escrow fees
- Title search fees for a background check on the title to make sure there are no unpaid mortgage tax liens or judgements on the property
- Title insurance, which protects you and the lender in case the title isn't clear
- Recording fee, which is paid to a city or county in exchange for recording the new land records
- Pest inspection fee
- Charges for inspections required or requested by the lender or you
- Escrow deposit, which may pay for two months of property taxes and PMI

What is a good faith estimate?

Lenders are required by law to give you a good faith estimate (GFE) of the closing costs on your home within three days from the date you apply for the loan. The GFE is an estimate, and the fees in the GFE can change by up to 10 percent. Within a day of your closing, the lender should give you a HUD-1 settlement statement, which outlines the actual closing costs. Compare this to your GFE and ask the lender to explain each closing cost and why it is needed.

What are ongoing costs of ownership?

As a homeowner, housing costs will include your monthly home loan payment, property taxes, homeowner's insurance, mortgage insurance (if required), utilities and maintenance. Condominium or cooperative owners also pay a monthly maintenance fee, often called a Homeowners Association (HOA) fee.

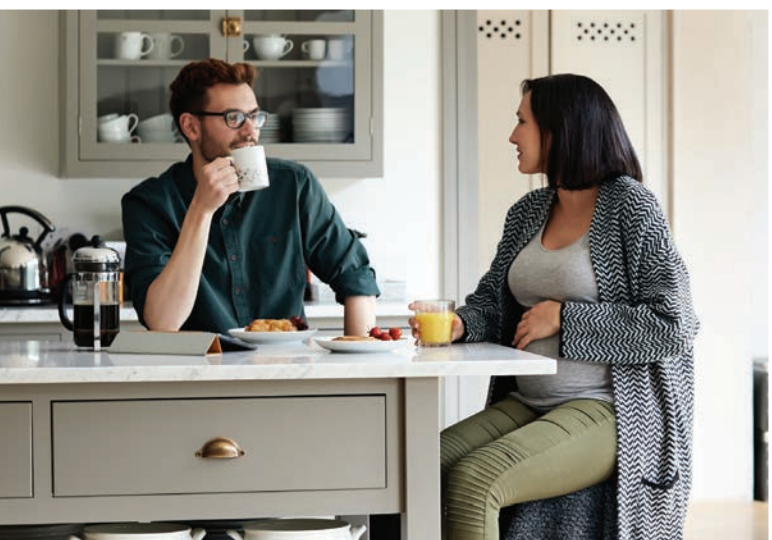


Your real estate agent may be able to negotiate with the seller to pay a portion of the closing costs.

QUALIFYING FOR A HOME LOAN

How does a lender determine if you qualify?

While lenders look at a lot of different information to determine whether you'll qualify for a home loan, ultimately, it comes down to four things: credit, down payment, income and assets. If any of these areas are not as strong as they should be, don't be discouraged. Your Elko Federal Credit Union home loan expert will provide you with the guidance you need to move to the next level.



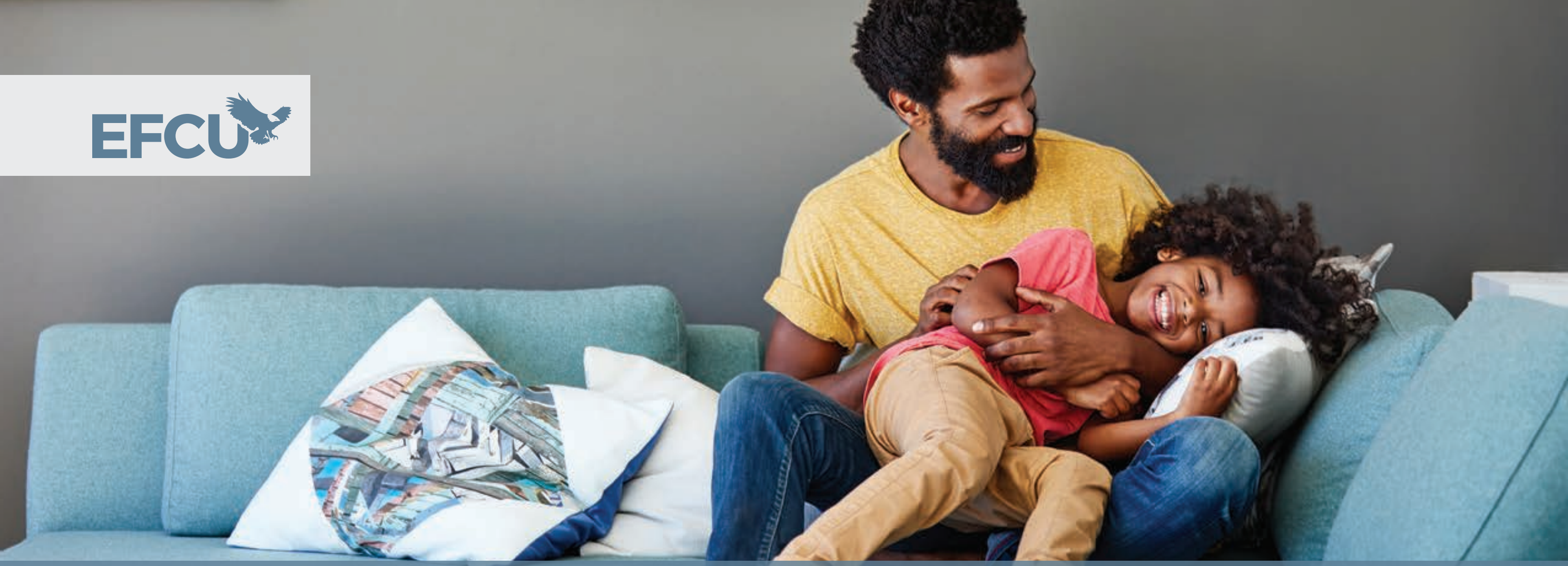
A healthy credit score is generally considered to be above 740. A member of our mortgage team can discuss ways to maintain or improve your credit score.

Your Credit

Your credit is one of the most important things that will be considered when determining if you qualify for a home loan. Your credit history is the way a lender judges your likelihood that you'll pay back your home loan. The lender will look at the length of your credit history, how reliably you've paid on your accounts and if you're maxed out on your credit cards or loans. These are also the factors that determine your credit rating or credit score. Your credit score will be used to qualify you for a home loan and will be one of the components used to determine your interest rate.

Credit scores for a home loan range from 620 (low) to 850 (high). A healthy credit score is generally considered to be above 740 and a poor credit score is below 600. The higher your credit score, the better the interest rate you'll likely be offered.

Lenders will also look at items on your credit report to see if you've had loan and credit card accounts open for at least a year and any outstanding collections or judgements against you. If you have any collections or judgements, you may need to satisfy those before you close on your home loan. Your loan officer will advise you, if this is required to obtain your loan. Your rental history will also be verified to see if you've had late rent payments in the past 12 months.



Get pre-qualified for a loan before house hunting. A pre-qualification lets you know in what price range you should be searching.

Your down payment

The minimum required down payment for a conventional loan is typically 5 to 10 percent, depending on the lender. Another option is an FHA loan, which typically requires a down payment of 3.5% of the sales price. However, there are more fees associated with an FHA loan, and borrowers are required to pay mortgage insurance for the life of the loan.

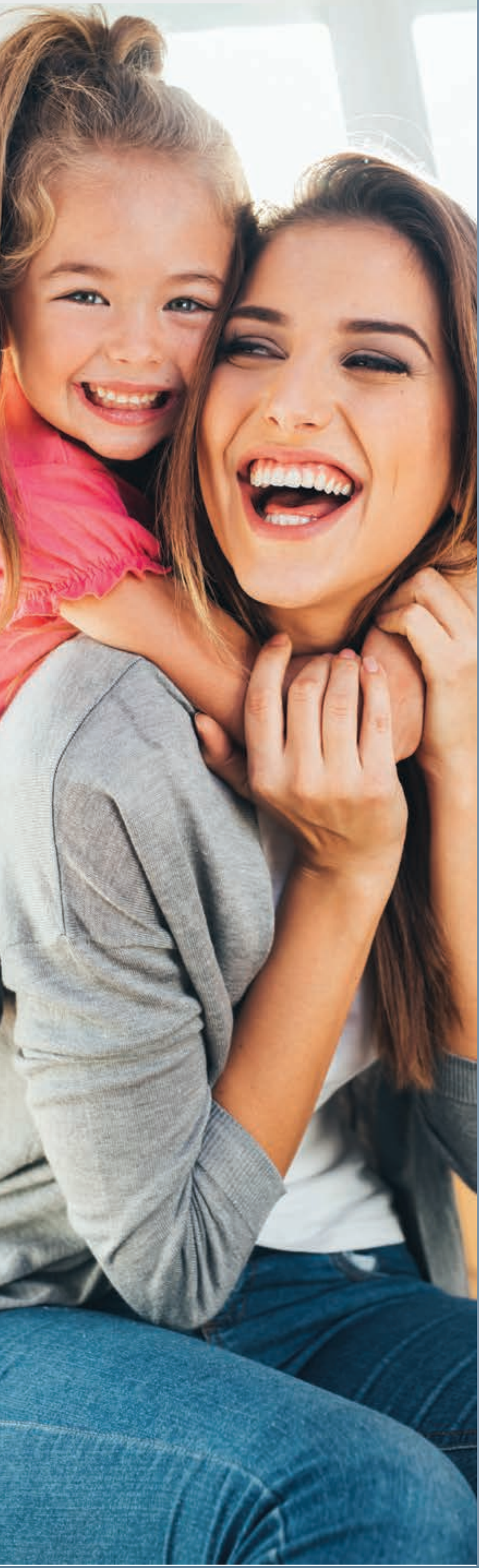
Your Income

Another factor reviewed by lenders is your debt-to-income ratio (DTI). DTI is your fixed expenses (including your new home loan payment) compared to your gross monthly income (income before taxes are taken out). Lenders typically want to see that you are spending no more than 43 percent of your gross monthly income on fixed expenses, including your home loan payment, property taxes, association dues, homeowner’s insurance, car loans, student loans, credit cards and any other fixed payments for which you are responsible. Variable expenses like utilities, phone and cable are not included in your DTI.

Lenders look for a consistent, stable employment history with the ability to maintain employment, and will verify your past two years of work. If you are self-employed, you will need to supply at least two years of tax returns as proof of income.

Your Assets

Lenders will verify that the funds you are using for your down payment are in a liquid account, such as a checking or savings account. Lenders may also want to see proof that you have “financial cushion” to handle emergencies or unforeseen expenses.



Tips to help you qualify for your home loan:

- Keep good records of your finances, including bank statements, W-2s, investment accounts and any other assets you own.
- Don't make large purchases with a credit card or loan before applying for and closing on your home loan. It may affect your loan approval.
- Monitor your credit report and score until your loan closes. The best mortgage rates usually go to borrowers with credit scores 720 and above.
- Watch your spending. Lenders don't want to loan to borrowers with little money left each month after paying mortgage and other fixed expenses. Your total monthly debt obligations shouldn't exceed 43% of your income.

Pre-qualification

Pre-qualification is the first step in the home loan process. The process of pre-qualification is simple and includes completing an information application without home loan specifics (since this is typically done before you start house hunting) or running your credit report. The lender will analyze your financial scenario and provide a ballpark figure of the home loan amount for which you qualify, as well as discuss your income, debts and personal preferences.

The pre-qualification letter will become an important component when making your offer. It lets the sellers know that you are serious about purchasing and are a qualified borrower. However, your pre-qualification doesn't guarantee your final home loan amount or approval.

CHOOSE A HOME LOAN THAT FITS YOU!

Conventional Mortgage Loan

A conventional mortgage loan is any type of home buyer's loan that is not backed or secured by a government entity, such as the Federal Housing Administration or U.S. Department of Veterans Affairs (VA). These loans are available through or guaranteed by a private lender (EFCU) or the two government-sponsored enterprises, Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). These are not to be confused with Conforming Loans (see below).

FHA/First-Time Home Buyer Mortgage Loan

An FHA loan is insured by the Federal Housing Administration (FHA). These loans are popular, especially among first-time homebuyers because they allow lower down payments for buyers with lower credit scores. However, borrowers are required to pay mortgage insurance premiums to protect the lender in case the borrower defaults.

VA Mortgage Loan

VA loans are guaranteed by the Department of Veterans Affairs. To qualify for this type of loan, you must be or be the spouse of military active duty personnel, veteran, or reservist with suitable credit, sufficient income and valid Certificate of Eligibility. The property must be occupied by the veteran as their primary residence.

USDA Mortgage Loan

USDA loans are backed by the U.S. Department of Agriculture (USDA) as part of its Rural Development Guaranteed Housing Loan program and are available to home buyers with low-to-average income for their area. These loans offer 100% financing with reduced mortgage insurance premiums.

Fixed-Rate Mortgage

A fixed-rate mortgage has an interest rate that remains the same for the life of the loan. This means your total monthly payment of principal and interest will remain the same over time. Homeowner's insurance and tax rates can fluctuate, affecting your monthly payment, however your principal and interest payment will not. This loan is the most popular type of financing because it offers the most stability for your budget.

Adjustable Rate Mortgage

An adjustable rate mortgage (ARM) is a type of mortgage in which the interest rate applied on the outstanding balance varies throughout the life of the loan. Normally, the initial interest rate is fixed for a period of time, then resets periodically. The rate resets based on a benchmark or index, plus an additional spread, called an ARM margin.

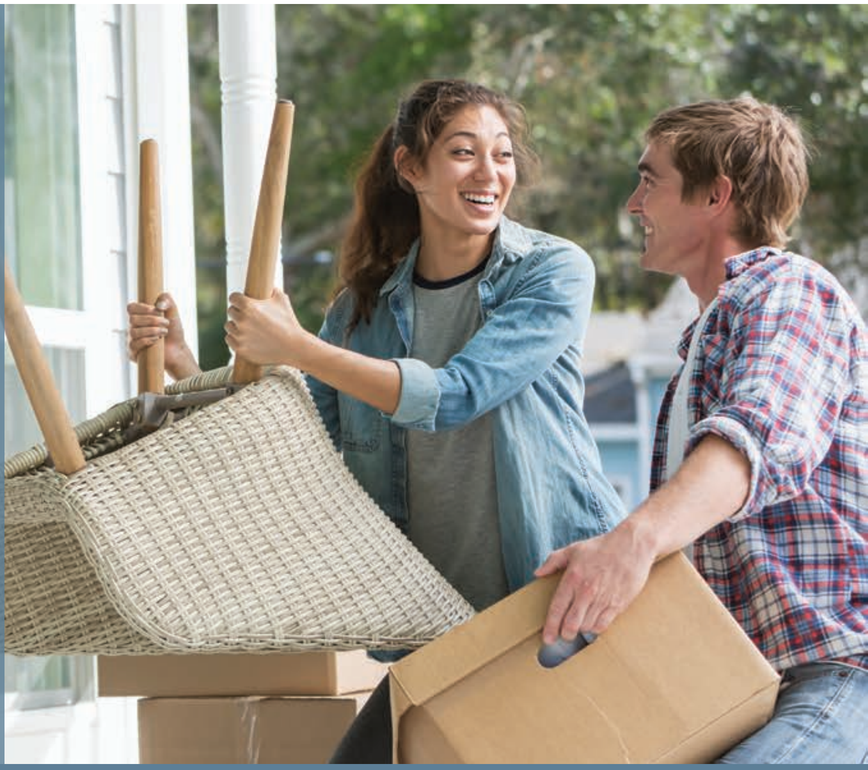
Home Equity Line of Credit (HELOC)

With a Home Equity Line of Credit, you are borrowing against the available equity in your home and the house is used as collateral for the line of credit. As you repay the balance, the amount of credit available is replenished, much like a credit card.

The difference between conforming and non-conforming mortgages.

Many mortgage loans are sold into the secondary market. The conforming secondary market consists of Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation), which establish overall home loan qualification standards – maximum loans, credit report requirements, down payment minimums and other requirements. A loan that fits into these standards is called a conforming loan.

The pre-qualification letter becomes an important component when making an offer on your future home.



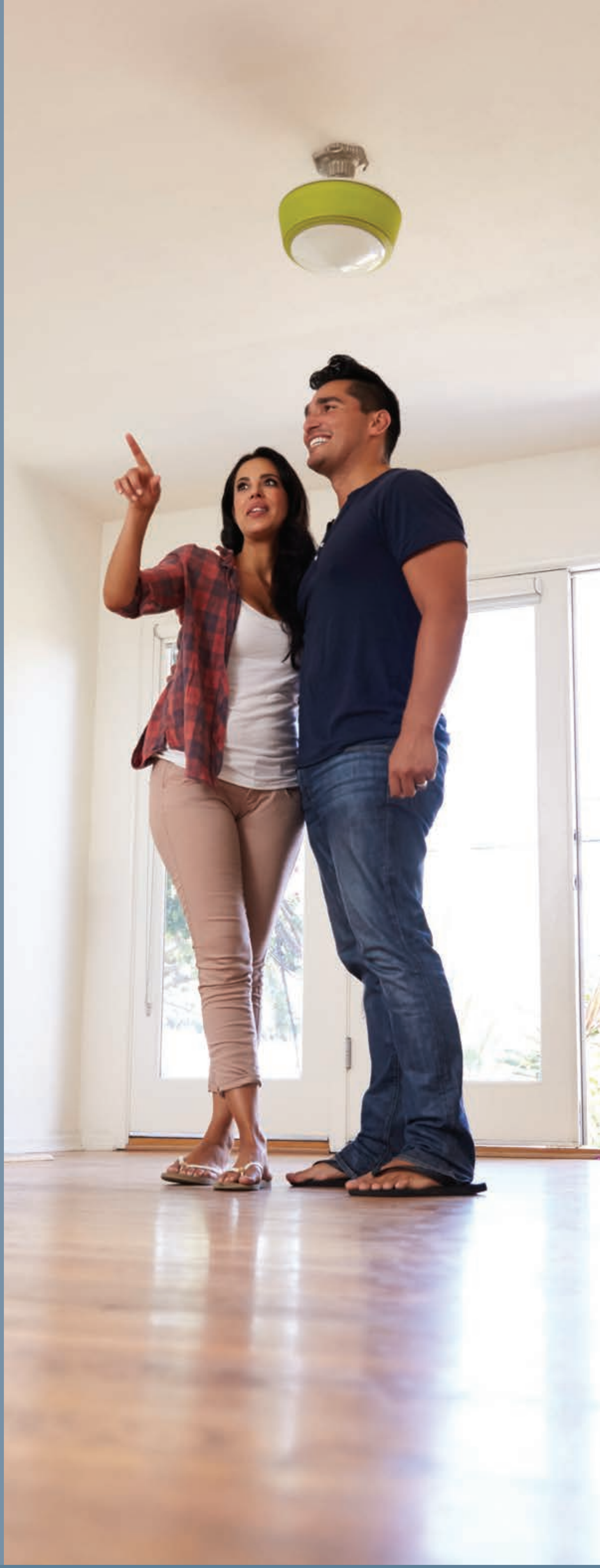
Conforming loan is not to be confused with “conventional”

“Conforming” loans are often confused with “conventional” home loans, but the terms are not the same. Conventional mortgages are all home loans that are not made or guaranteed by the government. Therefore, all mortgages, other than those affected by the FHA, VA and the U.S. Department of Agriculture (through its Rural Housing Service Program) are conventional loans. These may be conforming per Fannie Mae and Freddie Mac guidelines, or non-conforming mortgages, such as jumbo or interest-only loans.

Non-Conforming mortgages

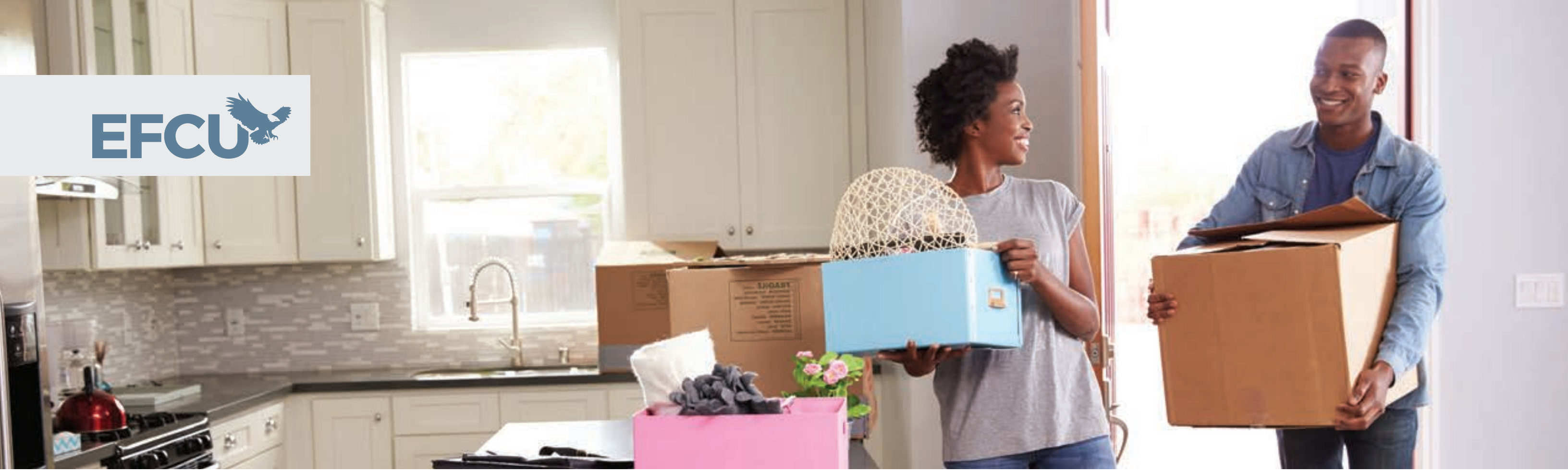
True non-conforming mortgages are any loans that Fannie Mae and Freddie Mac do not typically buy. For example, if you have excellent credit, but want to buy an expensive home and need a $500,000 mortgage, you’ll need a “jumbo” non-conforming loan. It is non-conforming because this amount is higher than the Fannie/Freddie $417,000 loan cap for most counties.

Two government agencies, The Federal Housing Administration (FHA) and The Department of Veterans Affairs, make mortgages with different criteria than lenders that offer conforming loans. For example, the FHA does not define its qualifications or interest rates by your credit score. They look at your entire application package, and often approve borrowers with credit scores lower than acceptable for non-conforming loans for low rate fixed and adjustable mortgages.



HOME LOAN COMPARISON CHART

Loan Type	Features	Who Benefits?
Fixed-Rate Mortgage The interest rate stays the same for the life of the loan.	Predictable monthly payment, so you can more easily budget for monthly expenses.	This is a great loan option for buyers who plan to stay in their home for a long time.
Adjustable-Rate Mortgage The rate is tied to an index, such as Libor or Prime, that may go up or down during the term of the loan.	The initial rate is generally lower than a fixed-rate loan for a specified period of time.	If you plan to move in 5-7 years, will have career moves, or have a partner who will be entering the work force, you will benefit from this lower introductory rate loan.



HERE'S THE FUN PART – START LOOKING FOR YOUR DREAM HOME!

Get pre-qualified before you start house-hunting.

Completing the home loan pre-qualification process demonstrates to the seller that you are a serious buyer and can more quickly obtain a home loan, thereby reducing your chances of losing out to another buyer.

Choose a real estate agent.

Buying a home is one of the biggest financial events of your life, so take the time to interview at least three agents before deciding whom to hire. You want to find someone who demonstrates knowledge of your area and expertise in the buying/selling process such as title, appraisals, financing, negotiation and inspections. Above all, make sure you feel comfortable with the person to guide you through the process.

Go with instincts over emotions.

Going with your instincts means you recognize that you're getting a great house for a good value. Try not to let emotions drive your decisions. Examples of letting your emotions influence your decisions are falling in love with a house because of the paint colors or a landscaped backyard. Buying a home is one of the biggest investments you'll make, so remain calm and choose wisely!

You'll need an appraisal.

A home appraisal ensures that the home you are purchasing supports the sales price. It also protects you from paying too much for the house. Your lender will require the property to be appraised by one of its approved appraisers. This practice helps create more consistent appraisals and gives you assurance that the appraiser is properly licensed and certified. You will pay for the appraisal as part of your closing costs – typically about $450.

The appraiser gathers information for the appraisal report from a number of sources:

- Physical inspection of inside and outside of the property
- County courthouse records
- Local real estate multiple listing service

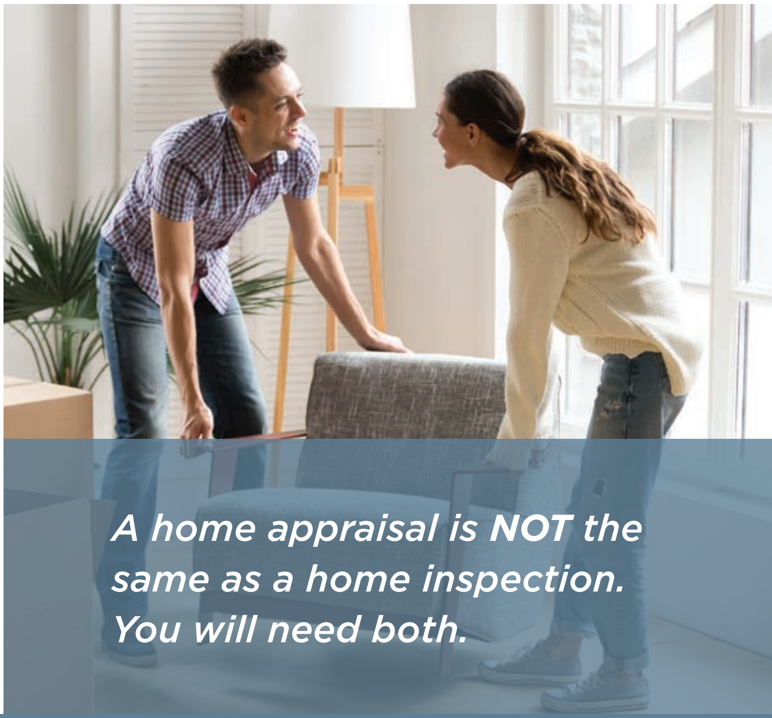
Appraisal reports include the following:

- An explanation of how the appraiser determined the value of the property
- The size and condition of the house and other permanent fixtures
- A description of any improvements that have been made and materials used
- Statements regarding visible structural problems such as wet basements and cracked foundations
- Notes about the surrounding areas, such as new or established developments, rural acreage, etc.
- An evaluation of recent market trends of the area that may affect the value
- A comparative market analysis that supports the appraisal
- Maps, photos, and sketches

You also need a home inspection.

It will cost about $200, but could end up saving you thousands. A home inspector's sole responsibility is to provide you with information, so that you can make a decision to buy or not. It's really the only way to get an unbiased third-party opinion. If the inspector does find any issues with the home, you can use it as a bargaining tool for lowering the price of the home. It's much better to spend the money up front on an inspection than find out later you have to spend money for costly repairs.

Keep in mind you are most likely buying a previously lived in property. Minor defects are to be expected. You need to focus on issues that could be costly to repair or things that are considered health or safety violations, such as installing smoke or carbon monoxide sensors.



*A home appraisal is **NOT** the same as a home inspection. You will need both.*

Be prepared with necessary documents for home loan approval.

Use the checklist below to make sure you have all the proper documents ready when you apply for an Elko Federal Credit Union First Mortgage Loan:

Employment/Income Documentation

- ☐ Two most recent pay stubs covering one month of earnings
- ☐ Employment information and substantiating documents
- ☐ Last year's W-2 forms/previous 2 years business and personal tax returns for 1099 and self-employed borrowers
- ☐ Federal Income Tax Return, all pages and schedules for the last 2 years
- ☐ K-1s for all Corporations and Partnerships for the last 2 years
- ☐ Corporate and Partnership Tax Returns for the last 2 years (all pages, all schedules)
- ☐ Signed Year-to-Date Profit and Loss Statement for current year
- ☐ Copy of your Federal Income Tax Return extension, if not filed

Asset Information

- ☐ Most recent financial institution statements (current) for all accounts (all pages)
- ☐ Most recent statement for brokerage accounts, stocks, 401-K and IRA (all pages)
- ☐ Most recent homeowner's insurance declarations page showing covering, annual premium, agent name, phone number, and effective dates of coverage

Housing Information

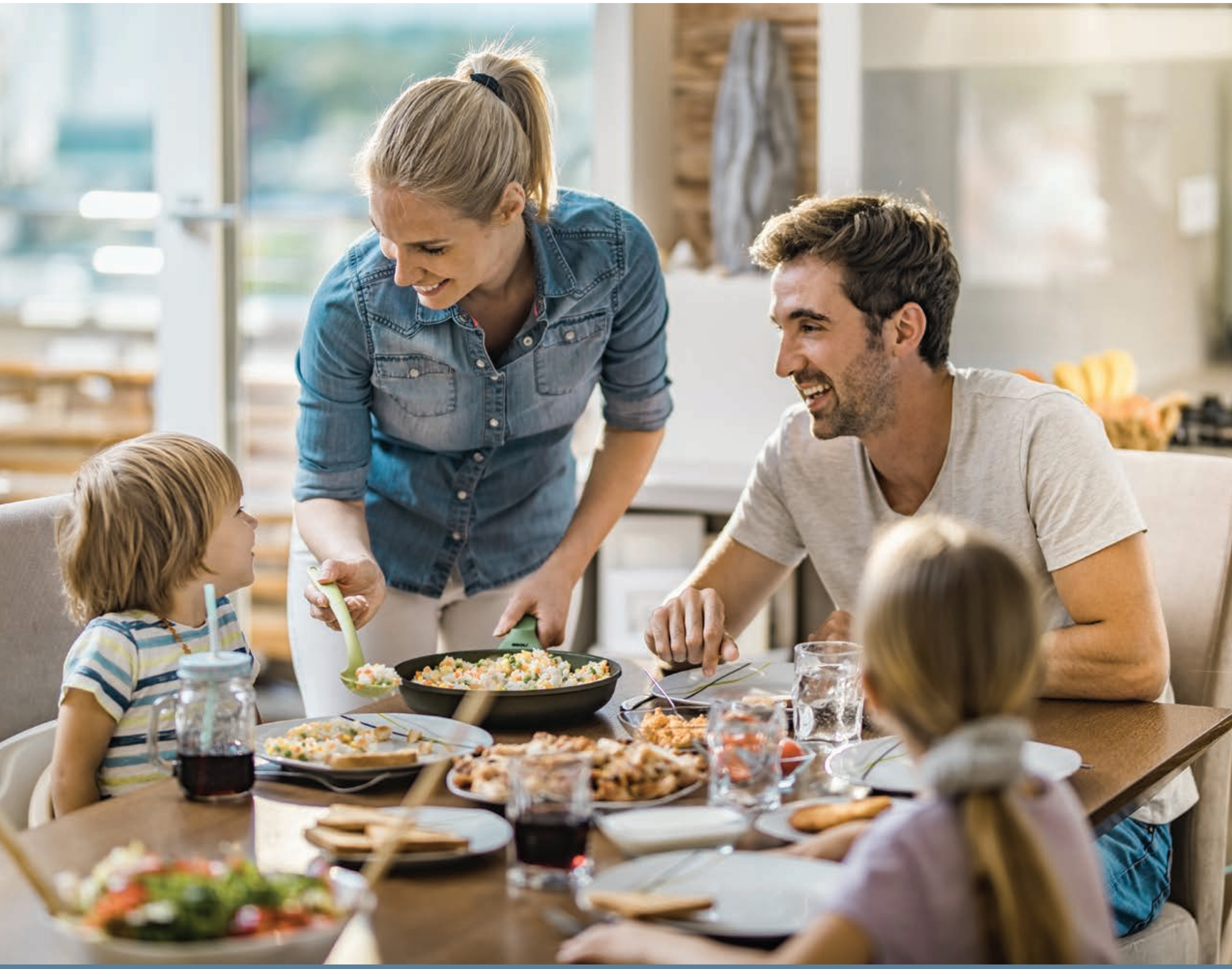
- ☐ Last statement for first mortgage loan
- ☐ Last statement for second mortgage loan
- ☐ Landlord's name and phone/contact information (rental)
- ☐ Homeowners Association contact name and phone number
- ☐ Rental agreement(s) for rental properties owned
- ☐ Fully executed purchase contract (must be signed by all parties) with all counter proposals
- ☐ Earnest money deposit receipt and copy of canceled check
- ☐ Sales contract on current residence with all counter proposals

Other

- ☐ Signed and dated application and disclosures (sign-in space provided on initial bottom of each page if no space designated)
- ☐ Divorce decree (all pages)
- ☐ Letter of explanation for gaps of employment, credit slow payment history
- ☐ Bankruptcy papers
- ☐ Copy of driver's license (both borrowers)

Research your potential neighborhood.

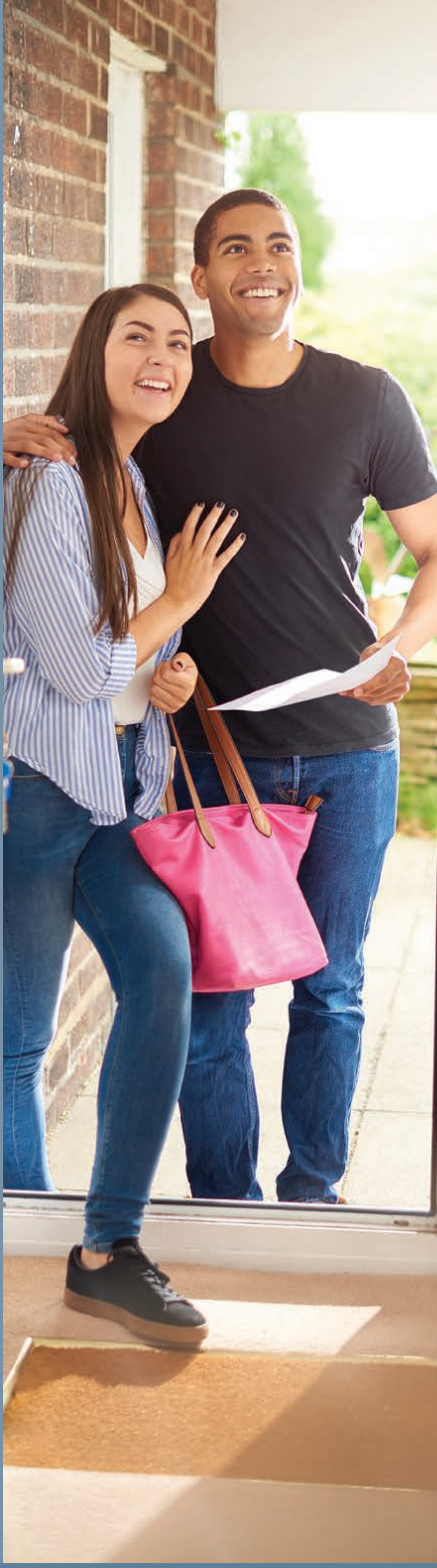
Make sure to drive through the neighborhood during different times of the day and night so you get a clear picture of what it's like. Drive your daily commute and make sure you're comfortable with the distance and time you'll be in the car. Find the nearest grocery store, gas station, and other places you frequent and make sure they are in close enough proximity to your potential new home. And, even if you do not have kids, research the schools because it affects the value of your home in a big way. If you buy a home in a good school district versus a bad school district, the value can be affected by as much as 20%.



CHOOSE A LENDER YOU KNOW AND TRUST

With EFCU's trusted mortgage lenders by your side, home ownership is closer than you think. Our one-on-one guidance will reduce the challenges you may experience as a first-time buyer.

This may be your first home, but it's not our first home loan. We'll guide you through one of the most important financial decisions of your life. Give our mortgage team a call at **775.738.4142** to get started today. We can't wait to hear from you!



KEY MORTGAGE VOCABULARY

Adjustable-rate mortgage (ARM)
A kind of home loan in which your interest rate is tied to a market index. As the index goes up or down, your interest rate and payments will also change at each scheduled adjustment period. These loans generally start out with an interest rate lower than a fixed-rate loan. This saves you money early on, and may help you qualify for a more expensive home. “Rate caps” limit the amount your interest can change during a given period.

Amortization
Gradually paying off a debt you owe, such as a mortgage, by making regular payments over a specified period of time. The payments must be sufficient to cover both principal and interest.

Annual Percentage Rate (APR)
A measure of both the interest charge as well as any other costs associated with the loan, such as discount points or lender origination fees, expressed as a single percentage rate. Because APR is designed to show you the total cost of a loan, it can be useful when comparing loans from different lenders

Buyer’s Agent
A Buyer’s Agent is a real estate professional who represents the buyer and only the buyer in the purchase of a home. As a buyer, there’s typically no cost to you in working with a Buyer’s Agent, since he or she receives part of the commission paid by the seller when the house is sold. However, be sure to discuss compensation with any real estate agent before you start looking at homes, as conventions can vary from state to state and region to region.

Closing Costs
Fees paid to the bank or third parties for services provided during the application and closing process. These fees vary, but typically range from 2 – 6% of the total amount of the loan.

Collateral
Something of value that you can use to secure a loan. When the loan is for a mortgage, the collateral is always the home itself. The collateral becomes property of the bank if you default on your loan.

Credit Rating
A numerical score or rating given to a person by a credit bureau that helps a bank determine how likely you are to repay a new loan. To calculate your score, a credit agency considers factors such as how you pay your bills, your outstanding debt, how long you’ve had credit, the types of credit you’ve had and how many times you’ve applied for credit.

Default
When a borrower stops making payments on a mortgage loan or fails to comply with other requirements of the mortgage.

Down payment
The amount of money a borrower puts down toward the cost of the home to secure a mortgage. Some lenders require a down payment of 20% to avoid mortgage insurance. The amount of the down payment may also affect the interest rate you pay.

Equity
The amount of the home's value above what you owe on it.

Escrow
An escrow account is a special account that lenders set up to pay your property taxes and/or insurance. In some states, it is called an "impound" account. With an escrow account, you pay a portion of your taxes and/or insurance every month instead of once or twice a year. Each month, part of your monthly mortgage payment goes into your escrow account. When your taxes and insurance premiums are due, your lender pays those bills for you with the money in your escrow account.

Fixed-rate mortgage
A type of home loan in which the interest rate remains the same for the length of the loan. The most popular kind of home loan.

Home inspection
A visual examination of the readily accessible areas of a home by a certified professional to provide an accurate evaluation of the home's condition at the time of purchase.

Homeowners insurance
A form of insurance that protects your property against loss from theft, liability and most common disasters. Mortgage lenders often require a borrower to maintain an amount of homeowners insurance on the property that is equal to the amount of the mortgage loan or the insurable value of the improvements.

Interest rate
The money you pay a lender in exchange for a loan, expressed as a percentage of the amount you've borrowed.

Jumbo loan
A loan that is for a larger dollar amount than the limits set by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC) guidelines.

Loan origination fee
The amount charged by a lender or broker to begin a mortgage loan. A loan origination fee is usually one point, or 1% of the loan amount. For example, a one-point loan origination fee on a $100,000 mortgage would be $1,000.

Mortgage Banker
A bank employee who serves as your day-to-day contact with a mortgage lender. In addition to helping you select the right loan for your needs, the Mortgage Banker can also help you decide whether to buy discount points, figure out what you can afford in a house and complete your mortgage application.

Points (discount points)
A portion of your interest that you pay to the lender up front in exchange for a lower interest rate. One discount point is typically equal to 1% of the loan amount, paid at closing. For example, one point on a $100,000 loan would require an up-front payment of $1,000. There is no requirement to pay discount points. Generally speaking, the longer you plan to remain in a property or hold your mortgage, it is to your advantage to pay points.

Pre-qualification
A process whereby a lender tells you how much you would be qualified to borrow based on information that you volunteer, but which the lender does not verify.

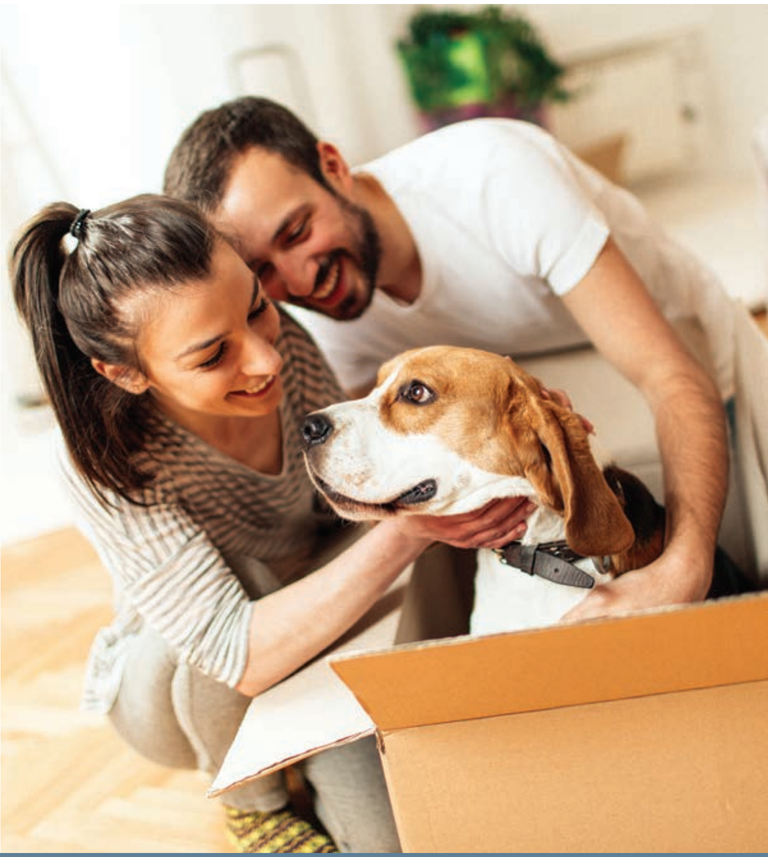
Principal balance
The amount you owe on your mortgage, not counting interest. In other words, it's the face amount of the loan minus any principal payments you have already made.

Private mortgage insurance (PMI)
An insurance policy that covers the bank in case you can't pay your loan payments, and the bank can't recoup the entire value of the loan on the house in foreclosure. Banks will generally require that you get this insurance if you put less than 20% down as a down payment.

Rate lock
The guarantee of a specific interest rate for a specific period of time.

Seller's Agent
A real estate professional that represents the seller, also known as a Listing Agent. If you are working with a Buyer's Agent, you generally won't have any direct contact with the Seller's Agent. However, your agent will work closely with the Seller's Agent on your behalf.

Settlement
Also known as "closing," this is the process whereby the property changes hands from the seller to the buyer, after both parties fulfill a set of conditions.



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