



**Yolo Federal**  
Credit Union



# Your Guide to Buying Your Dream Home

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# First-Time Home Buyer Tips

Congratulations, you're getting ready to buy your first home! Buying a home can feel like a confusing and stressful process, but it doesn't have to be. We are here to help guide you along the way. Buying a house is a big step, but that doesn't mean it shouldn't be fun and exciting. Use this guide throughout your home buying process to help make the best choice for your unique experience.

## Leaving the rental

The move from a rental to your own home is a big step. Other than having more room in a house, there are things you will want to consider as you make the switch. For example, in an apartment complex, you may have had free access to a 24/7 gym, pool, and an on-site handyman. While these are luxuries you'll be giving up in the switch, you'll also gain full control over the residence when becoming a homeowner. It is important to consider the additional expenses you'll face by owning a home, to make sure you are financially prepared for homeownership:

- Upkeep and repairs
- Water, electricity, & trash
- Lawn care and outdoor maintenance
- Pest control

In addition, you will be introduced to other expenses like:

- Monthly mortgage payment
- Property taxes
- Insurance—homeowners, flood, etc.

## Navigating the lease

Many rentals have leasing contracts. You may want to consider how much it costs to break a lease if you purchase a home before your lease ends. Also, take into consideration how long it may take you to get into your new home after the purchase. If the house is vacant, you may be able to move in quickly. If the house is still occupied, it may take a little longer. It is wise to begin your house hunting closer to the end of your leasing period.

## First-time home buyer advice

### **Create a housing budget and stick to it**

A house is something you should enjoy, not a constant struggle to keep. Be realistic with what you can afford. Avoid buying out of your comfort zone.

Download a budgeting app and track your monthly spending habits. After you subtract your expenses from your monthly income, what are you left with? This will help determine what you can afford.

### **Make informed decisions**

If a house is just out of reach, don't buy it. Even if it is the perfect house, you need to fight that little voice in your head saying, "we can make this work." A house out of budget could lead to disappointment and financial struggles.

### **Use your current income to budget**

Whether or not there is a promising promotion with a pay raise in your future, plan your budget for what you are currently earning. Assumptions should not be a factor. If you're having trouble finding a house in your price range, consider ways to reduce your current expenses. Be sure to implement these changes for at least six months before you begin the buying process to see if you can stick to a new budget.

### **Don't treat a home like an investment**

The housing market can be unpredictable. Not every house is guaranteed to grow in value. Don't assume you can sell your new house for a large profit in five to ten years.



# Journey to Homeownership

There are many things you'll need to do before you move into your dream home. This guide has broken down the home buying process into 10 easy to follow steps. Whether you're a first-time home buyer or an experienced homeowner, this guide will help you confidently move through the home buying process.

## 10 Steps to Buying a Home

1. **Check Your Credit**
2. **Determine Your Budget**
3. **Compare Lending Options**
4. **Get Pre-Approved**
5. **Hire a Real Estate Agent**
6. **Go Home Shopping**
7. **Make an Offer**
8. **Get an Inspection**
9. **Close Your Loan**
10. **Move into Your Home**



## Step 1: Check Your Credit

Let's talk about credit scores. A credit score is a number that determines your creditworthiness. Lenders use this to determine their risk in lending you the money needed to purchase a home. Most mortgage lenders will use the FICO scoring system, which has a scoring range from 250 to 900.

The minimum FICO score to obtain a conventional home loan is 620. However, a low credit score could end up costing you a lot more over time with higher home loan payments.

# Step 1: Check Your Credit

## Review your credit report

The first thing you should do before beginning the home buying process is to review your credit report. Visit [www.annualcreditreport.com](http://www.annualcreditreport.com) and request copies of your credit report from the three major credit bureaus (Equifax, Experian, and TransUnion) at least 90 days before you plan to apply for a home loan. You are entitled to one free copy of your credit report every 12 months.

Review the reports for discrepancies. If you notice an error, report it to the credit bureaus immediately. Even small increases in your credit score could make a big difference in how much interest you pay for your home. You can submit disputes to the credit bureaus on their websites, listed below.

- [www.experian.com](http://www.experian.com)
- [www.equifax.com/personal](http://www.equifax.com/personal)
- [www.transunion.com](http://www.transunion.com)



# Step 1: Check Your Credit

## What affects your credit score?

### 1 PAYMENT HISTORY

Late payments harm your credit score, especially those that are more recent or occur frequently.

### 2 BANKRUPTCIES

Judgments and collection accounts negatively impact your credit by lowering your credit score.

### 3 CREDIT BALANCES

Large balances on credit cards or credit lines can lower your credit score, especially if they are near the credit limit.

### 4 CREDIT RELATIONSHIPS

Long-term credit relationships will positively impact your credit score more than newer relationships.

### 5 NEW CREDIT

Frequently applying for credit cards or credit lines can lower your score.

### 6 TYPES OF CREDIT

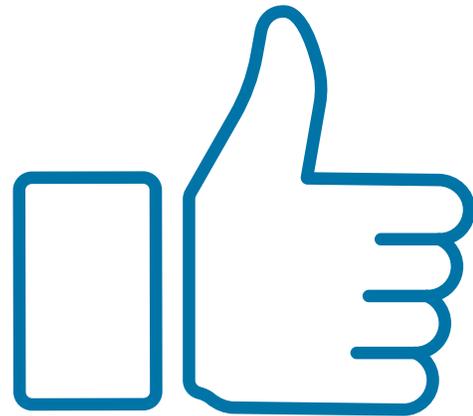
Having a variety of different types of credit can have a positive impact on your credit score. Types of credit include a credit card or an auto loan.

# Step 1: Check Your Credit

## Improving your credit score

A low credit score can impede your ability to qualify for a loan as well as determine how competitive your interest rate will be. If your credit isn't where you want it, there are ways to improve it. However, improving your credit score will take time. Consider these few tips that can help you save money when buying your new home.

- ① **Pay on time, every time**
- ② **Pay down debt and keep balances low on credit cards and credit lines**
- ③ **Avoid balance transfers to new lines of credit or new credit cards**
- ④ **Apply for the credit you need and close the cards you no longer use**
- ⑤ **Keep older credit accounts open**





## Step 2: Determine Your Budget

Before you can begin house hunting, you need to determine what you can afford. When you apply for a home loan, your lender will look at your debt-to-income (DTI) ratio to determine how much home you will qualify for. Your DTI ratio is calculated by adding up your total monthly expenses (including your potential home loan payment and any additional obligations such as credit card and auto loan payments) divided by your gross monthly income.

Most lenders will require your total DTI ratio, including your home loan payment, to fall below 43% of your gross monthly income. Your home loan payment should account for no more than 35% of your monthly gross income. Anything above that could get you trapped into a monthly payment you can't afford.

Remember that you will have additional expenses when purchasing a home that you should consider.

# Step 2: Determine Your Budget

## Other items to budget for:

### THE DOWN PAYMENT

A major component of your monthly mortgage payment is determined by how much money you pay upfront for your home loan. A typical down payment is 20% of the loan amount. However, if you cannot pay 20% upfront, you will have to budget for Private Mortgage Insurance (PMI). PMI is an additional charge to protect the lender. The amount you will pay varies based on a multitude of factors and is included in your monthly payment. Once you reach the 20% threshold, you can request that your mortgage insurance be removed from your payment.

If you need help with your down payment, talk with your lender. Down payment assistance programs are available in some areas and they can provide you with part or all of your down payment depending on if you qualify. Your lender will have more information on what programs are currently available.

### CLOSING COSTS

The average amount you should expect to pay in fees is 3-5% of the loan amount. (See the glossary for definitions, page 39.)

Lender and third-party fees could consist of:

- Loan origination fee
- Loan discount points
- Flood certification fee
- Document preparation fee
- Credit report fee
- Private mortgage insurance
- Settlement/closing fee
- Recording/transfer fee
- Title search
- Title insurance
- Appraisal fee
- Pest inspection
- Reserves/escrow fee
- Underwriting fees
- Insurance premium
- Prepaid interest

## Step 2: Determine Your Budget

### CASH RESERVE

You may have to provide your lender proof that you have enough money saved up to protect against future financial problems. We recommend you save at least two to three months' worth of house payments in a designated savings account. You should also include other monthly expenses in this emergency fund.

### THE EXTRAS

This includes everything from moving costs to buying new furniture. If you're moving from an apartment, you'll likely find you have much more room that requires some sort of furniture or décor. Remember that you don't have to buy everything all at once and you can always upgrade to newer models later. Purchase what you need, but don't over flex your budget.

### FUTURE UPKEEP

Your home will require regular maintenance to keep everything running smoothly and to help prevent costly repairs. Budgeting 1% of your final sale price for future upkeep and maintenance is a good rule of thumb. You should consider this when creating your emergency fund. This will help keep you covered for unexpectedancies such as roof repairs or if your heater goes out in the middle of winter.



## Step 3: Compare Lending Options

Searching for your home is not the only thing you're shopping for when buying a house. You're also looking for a home loan lender. There are multiple types of home loans out there and the requirements for each will vary. To help you understand the different options, we've listed them out on the next page.

**Note:** When asking questions with various lenders, make sure they do not run an application yet. Multiple lenders pulling your credit will lower your credit score.

## Step 3: Compare Lending Options

### Our lending options:

**Fixed-rate mortgage:** This loan is ideal for home buyers that want to lock in their rate and maintain a consistent monthly payment over time.

**Adjustable-rate mortgage (ARM):** An ARM has an interest rate set for a period of time, but then the interest rate and monthly payment adjust at later fixed intervals. ARMs usually start with a lower interest rate than compared to a fixed-rate mortgage. This type of loan is ideal for those who plan to sell their home in a few years or who anticipate a significant increase in income.

**Mobile home loan:** This loan covers mobile homes.

### Other lending options\*:

**First-time home buyer loan:** Some lenders offer specialty loans for first-time home buyers. This can include requiring less down payment, sometimes without charging mortgage insurance.

**VA loan:** VA loans require no down payment and are only available to eligible veterans. VA loans are insured by the Department of Veterans Affairs.

**FHA loan:** FHA loans require a down payment of at least 3.5% and are insured by the Federal Housing Administration, a division of HUD (the Department of Housing and Urban Development).

**USDA loan:** USDA loans are zero-down-payment loans for rural and suburban homebuyers and are issued through the USDA Rural Development Guaranteed Housing Loan Program by the United States Department of Agriculture.

\*Yolo FCU does not offer all loan types, like VA Loans, FHA Loans, or USDA Loans. We just wanted to make you aware of the different loan options. We do not have a first-time buyer loan; however, we do offer a lower down payment requirement and down payment assistance options for first-time home buyers who qualify.

## Step 3: Compare Lending Options

### Expert advice:

Did you know that credit unions offer home loans? Here's why you should check out a credit union first when searching for your perfect lender.

#### **You could save money.**

Unlike banks, credit unions are not-for-profits. We use our earnings to offer better rates and fewer fees to our members.

#### **You're a member, not a number.**

Credit unions often service their real estate loans for the life of the loan. Banks, however, tend to sell their mortgages to other servicers, meaning that every time they sell your loan, your payment must be sent to a new address. This could easily lead to missed payments and late fees.

## #1 Best Mortgage Company

Yolo Federal Credit Union is Yolo County's #1 Best Mortgage Company. With low rates and better service, we make buying a home seamless so that you can get back to the things in life that really matter. Contact a Real Estate representative at (530) 668-2702 or schedule a call at [yolofcu.org/schedule](http://yolofcu.org/schedule).



## Step 3: Compare Lending Options

# The terminology of home loans

Throughout your home buying process, you're going to hear four consistent words that you will need to know. These are the terms that make up your monthly mortgage payment.

1

### **PRINCIPAL**

The amount of money you borrow to buy your home. When you begin making payments, you will pay more towards interest than principal. Over time, you will begin to pay more towards principal than interest.

2

### **INTEREST RATE**

The amount you pay the financial institution for the loan. Your home loan monthly payment is influenced by the interest rate you receive for your loan.

3

### **PROPERTY TAXES**

Property taxes may be included in your home loan payment as part of an impound account or may be paid on a bi-annual basis. The amount of tax you pay is usually assessed as a percentage of your home's value determined by the tax rate (varies based on where you live).

4

### **INSURANCE**

Homeowners insurance protects you from potential financial loss that might result because of fire, flood, or other hazards.



## Step 4: Get Pre-Approved

Getting a pre-approval can give you an advantage over other potential buyers because it shows that you are serious about buying. It will also help you understand the ideal price range available for your dream home. Don't be surprised if some sellers require you to have a pre-approval on-hand before they accept your offer.

## Step 4: Get Pre-Approved

# Pre-qualification vs. pre-approval

**Pre-qualification** is simply the projection of how much might qualify for. This is just an estimation and your actual pre-approval amount may differ because it is based on a multitude of factors including tax returns and credit reports.

**Pre-approval** is essentially applying for the home loan, only without having a specific home in mind. To obtain a pre-approval, a lender will check your credit, verify your income and employment status, and may need other documentation as well. A pre-approval provides you with a firm commitment to the amount of money you could borrow. Pre-approvals are good for 120 days barring no significant changes to your financial situation. Once you are pre-approved, you will receive a pre-approval letter that shows how much money you can borrow. A pre-approval letter gives you a competitive advantage when you begin making offers over other potential buyers.

To obtain a pre-approval, apply with your lender either in person or online. Receiving your pre-approval could take a few days, or longer, depending on the complexity of income, assets, etc.

## The do's & don'ts of pre-approvals

### DO THE FOLLOWING



1. Get a pre-approval before you shop
2. Obtain a homeowner's insurance quote early in the loan process
3. Stay current on your existing loan accounts
4. Stay in your current job
5. Pay off recently reported collections

### DON'T



1. Apply for additional credit or close accounts
2. Max out or overcharge credit cards
3. Consolidate debt to fewer cards
4. Change bank accounts
5. Co-sign a loan for anyone
6. Start any minor or major renovations

## Step 4: Get Pre-Approved

# Home loan pre-approval checklist

- Form of ID**
- Two years tax returns (if self-employed or claim rental property income)**
- Two years of W-2s**
- Most recent paystubs**
- Most recent bank statements (2 months' worth)**
- Explanation of large deposits other than normal pay**
- All debt including credit cards, car payments, child support, & any student loans**
- Explanation of any credit inquiries on credit report**
- Mortgage statement, insurance, and most recent tax statement for all owned properties**
- Divorce decree and separation agreement (if applicable)**

**Note:** Your lender may request a verification of employment (VOE) from your employer.



## Step 5: Hire a Real Estate Agent

Throughout your home buying process, you're going to want somebody on your side who understands the market and can help you find the home of your dreams. That is where a real estate agent comes into play.

Real estate agents provide expertise and guidance through all the ins and outs of shopping for a home. They are also likely to have insider knowledge that isn't available to the public, which could help them negotiate the best possible purchase price for the home you love.

Your agent is likely going to ask you questions to get a good idea of what you're looking for in a house. Be honest in what you want. You don't want to end up looking at houses that don't meet what you need or want. They will also be first to notify you when new, relevant listings arise.

## Step 5: Hire a Real Estate Agent

### Getting to know your agent

It is important to remember that your real estate agent isn't just going to get to know you, but you are also going to get to know them. And you need to make sure that whoever is representing you has your best interests at heart. Personal recommendations are a great way to find an agent that you already trust. But don't be afraid to interview your potential agents to find the best match. Some questions you should ask your agent include:

- 1 How long have you worked in residential real estate?**
- 2 Is this your full-time job?**
- 3 Are you familiar with the area where I am looking to buy?**
- 4 How many home sales did you participate in last year?**
- 5 Do you have any references I can talk to?**
- 6 Will you be present at closing?**



## Step 6: Go Home Shopping

You're pre-approved and have a trusted agent on your side. Congratulations! You're ready to shop. Do you want a home that is move-in ready or a fixer-upper? Remember that any repairs needed on a fixer-upper could be costly and you may have to pay this out of pocket. Before you begin shopping, you'll want to determine the specifics you are looking for in your new home. This is the time to establish your needs vs. wants in the home of your dreams.

Your needs can include things like the number of bedrooms and bathrooms, the location, or if you need extra parking. Your wants are the luxuries that you may be willing to let go of to find a house you love that is still within your price range.

# Step 6: Go Home Shopping

## Home shopping list

We've created a need vs. want checklist. Add whatever else you feel should be listed for your situation.

### Location

Located in urban or rural area \_\_\_\_\_

In good school district

Close to public transportation

Close to major highways

Near work

### Style

Custom build, spec home, tract house \_\_\_\_\_

Existing: less than 10 years or 10+ years old \_\_\_\_\_

Contemporary, traditional, colonial, other \_\_\_\_\_

1 story or 2 stories \_\_\_\_\_

### Exterior

Brick, vinyl siding, stucco, or wood siding \_\_\_\_\_

Big backyard

Pool

Garage or carport \_\_\_\_\_

Wooded lot/privacy

Fenced property

### Interior

Number of bedrooms \_\_\_\_\_

Number of bathrooms \_\_\_\_\_

Dining room

Family room (in addition to living room)

Minimum square footage \_\_\_\_\_

Hardwood floor

Fireplace

Other \_\_\_\_\_

### Need

### Want

## Step 6: Go Home Shopping

# Home shopping comparison list

When you're looking at homes, you may need to compare the pros and cons of various listings to see which one is best for you. We've created a section in the back of this guide (p. 43) for you to compare houses. Bring this guide along during your home shopping to help you find your dream house. In your comparison, you'll want to include things such as:

1. Address
2. Selling price
3. Advantages
4. Disadvantages
5. A section for additional comments

This comparison list will come in handy if you find multiple houses that you like. Sometimes, getting down to the nitty-gritty will help you make the best decision.

**Tip:** Take photos to help you remember—especially if there is something you love!





## Step 7: Make an Offer

You've done the research, made the comparisons, and you've finally found your perfect house. Now is the time where you make an offer. Making an offer can be tricky to navigate, so make sure that you and your real estate agent have a plan of action ready to go. Your initial offer should be at the lower end of your comfortable budget range. This will give you room to increase your offer when you move into negotiations.

**Use Caution:** Low-balling your offer could lead to the seller walking away completely.

# Step 7: Make an Offer

Once you make an offer, the seller will review it and they will either:

1. Accept the offer
2. Decline the offer
3. Provide a counteroffer

Counteroffers are common during the negotiation period and typically occur within 24-48 hours. At this point, you can either agree to their counteroffer or make one of your own. This negotiation period will continue until an agreement is met or someone decides to walk away.

In addition to negotiating the sales price, you can also negotiate by raising earnest money, waiving contingencies, or proposing a different closing date.



## Step 7: Make an Offer

### Consider when making an offer:

#### EARNEST MONEY

This is the deposit showing your commitment to buying a home and, in some cases, may not be refundable. It is typically a small percentage of the asking price that is later applied to your down payment. Your real estate agent will hold onto the check until the offer is accepted, which typically gets deposited with the title company.

#### SELLER CONCESSIONS

These are the costs that the seller pays for the buyer, thus reducing the amount of money the seller receives. This can include closing costs or cashback for repairs or renovations.

#### INCLUSIONS

These are built into the sales contract and remain with the property. Inclusions can include things like blinds, chandeliers, appliances, or anything else that is staying behind after the move. If they are to be included, they must be stated in the agreement between the buyer and the seller.

#### CONTINGENCIES

These are the conditions that must be met for the sale to go through. Contingencies often include things like a home inspection, financing, an appraisal, or that the buyer's current home must be sold.

**Once the offer is accepted, make sure your lender receives a copy of the accepted contract!**



## Step 8: Get an Inspection

Your offer was accepted. Congratulations! Now is the time to look “under the hood” with an inspection. You will most likely have multiple inspectors come to look at your potential house. Common inspections include:

1. Whole house
2. Pest
3. Roof
4. Pool & Spa (if applicable)

# Step 8: Get an Inspection

## Preparing for a home inspection

**Shop around:** The cost of an inspection varies by location, features, and size. Do your research before committing.

**Check credentials and insurance:** Ask if the inspector is a member of home inspection associations. Be sure your inspector carries liability insurance.

Feel free to tag along to your home inspection.



## The appraisal

Your lender will order an appraisal to assess the value of the house. The price of the appraisal will vary and will be paid out-of-pocket and upfront.



## Step 9: Close Your Loan

Once all the inspections are complete, your lender will move forward to close your loan.

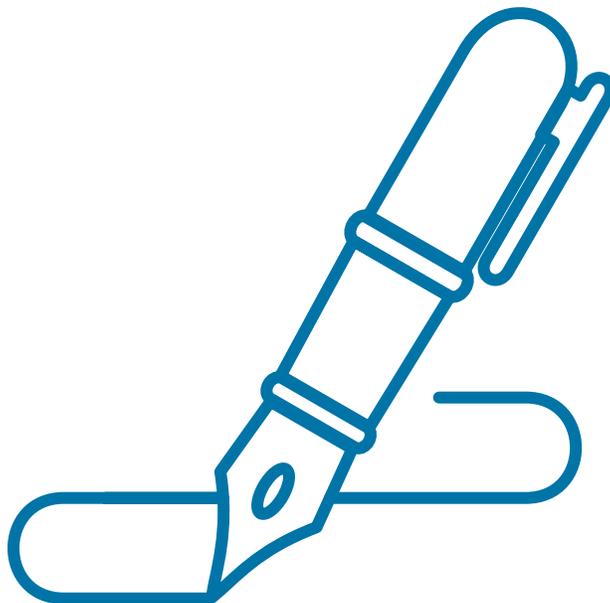
**Finalize your home loan:** Your lender will begin preparation for closing, which may require additional documents from you. A great lender will have touched base with you throughout your entire home buying process. Communication is key to a seamless home buying process.

## Step 9: Close Your Loan

**Obtain homeowners insurance:** To complete the home buying process, you must provide proof of insurance at closing. Depending on your location, you may also be required to have flood coverage as well. This type of insurance is usually separate from a regular homeowner's policy. Your lender can provide guidance for proper insurance ahead of closing.

**Tip:** Don't wait to start searching for homeowner's insurance. Look at different options and compare policies. Start with the insurance company that covers your car. Many insurance providers offer discounts for multi-policy bundles. Check out other insurance providers and compare single and multi-policy prices and coverage. You may find a different insurance company that can provide the same coverage for a lot less.

**Schedule a final walk-through:** Your final walk-through will occur after the seller has moved out. You will want to do the walk-through of the entire property about a day or so before closing. Do this with your real estate agent as they provide an objective second set of eyes. Confirm that everything that was agreed upon in your contract was completed and the property is in the condition you expected. This is the best time to bring up any issues because the seller has not yet been paid.



# Step 9: Close Your Loan

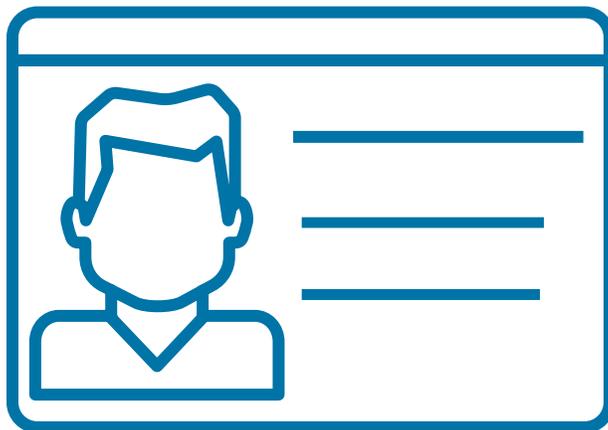
## Closing day

### **What to expect:**

You will sign documents at the title company. You can expect your real estate agent as well as title company agents to be present at your loan closing.

### **What to bring:**

Bring a picture ID and a cashier's check (if needed) for closing costs and your down payment along with any additional documents your situation may require. Your lender will specify if you need any additional documentation before closing.





## Step 10: Move into Your Home

The day has finally arrived. It's moving day! Congratulations on the purchase of your new home. To help your moving day go smoothly, we've provided some moving-in tips.

# Step 10: Move into Your Home

## One month before the move

Begin packing the non-essentials in your current residence. Clothes you never wear, grandma's china you've never used, or the Disney DVDs now collecting dust on your shelf are good areas to start. Be sure to label your boxes to make it easier to move into your new home.

## One week before the move

Make a closing-up plan. What do you need to do with your current home before you move? Return keys to the landlord? Will you need help cleaning and preparing your existing home to sell? Planning this out now will allow you to focus on moving into your new home.

If you're renting a big moving truck, you may want to drive the route to the new home ahead of time to plan for any obstacles.

Purchase drop cloths to protect the floors in both houses – they only cost a few bucks and can save you money from potential damage caused by sliding boxes and furniture across the floors.

## One day before the move

Plan ahead. Your key to a successful move is to map out a schedule that includes what you will be eating during the move and taking rest breaks. Many people forget to plan for meals when moving and when all your kitchen utensils are packed up, you're going to be limited on what you can do for food.

You may also want to test your keys to make sure they work and that the garage code is correct.

Plug-in appliances at your new place. You're going to bring groceries over, and you'll want your refrigerator ready to go when you get there.

Keep the "essentials" close to you. Place your keys, cell phone, charger, garage door opener, and critical paperwork together in a box or bag. It also helps to include tools such as a screwdriver, scissors, duct tape, and a flashlight just in case you need them.

# Step 10: Move into Your Home

## Moving day

Start early! Set an alarm and get a jump start on the day.

Although coffee may be your go-to, you're going to want to eat a high protein breakfast to maximize your energy throughout the morning.

Stay hydrated by keeping a few water bottles close by to drink throughout the day.

Start moving—load up boxes into your vehicle or moving truck, if you've rented one.

Remember to do one last walk-through of your current home. Make sure you haven't missed anything, unplug any necessary appliances, and turn off the lights. Be sure to lock the door when you leave.

## After moving day

Although you might feel tired, cleaning your new home will never be any easier than now when everything is still packed up in boxes. Do a thorough cleaning.

If you were unable to get into the new home beforehand to paint, now is the time to do so. You'll have less prep work to do since everything is still boxed up.

Change your locks! It is recommended that you change your locks in your new home as early as possible. You never know who the previous owners trusted a key to that was never returned. Keep your belongings secure by changing all locks.

Find out when trash and recycling day is. You'll find you will have lots to throw out while moving. Be ready to put your trash and recycling items out to be picked up at the first chance you get.

## Enjoy your new home!

Buying a home may be one of the most satisfying purchases you'll ever make. Though the process may have been long, you have finally reached your goal of homeownership. Congratulations on your new home!

## Step 10: Move into Your Home

# Keep Your Loan Close to Home

For more than 66 years, Yolo Federal Credit Union has lived by the philosophy of “people helping people” to carry out our mission of helping Yolo County achieve financial success. Our expert real estate team is here to help you into the home of your dreams. Staying local means that you’ll have a trusted representative on your side every step of the way. Come see why we are Yolo County’s #1 Best Credit Union and Best Mortgage Company.

Schedule a home loan  
inquiry call at:

[YoloFCU.org/Schedule](https://YoloFCU.org/Schedule)



# Glossary

**There is a lot of terminology when it comes to home loans. To make it easy, we have provided a glossary to help you understand these real estate terms.**

Appraisal fee—A payment made to someone to evaluate how much a home is worth.

Credit report fee—A fee charged for pulling credit.

Debt-to-income (DTI) ratio—Derived by dividing your monthly debt payments by your monthly gross income. The ratio is expressed as a percentage and helps lenders determine how well you manage monthly debts - and if you can afford to repay a loan.

Document preparation fee—A fee charged to cover administrative costs for your loan.

Down payment—An up-front partial payment for the purchase of expensive items such as a car or house, usually paid in cash or equivalent at the time of finalizing the transaction.

Earnest Money Deposit (EMD)—A specific form of security deposit made in some major transactions to demonstrate that the applicant is serious and willing to demonstrate good faith about wanting to complete the transaction.

Flood certification fee—A fee typically charged to obtain the government-required document used to determine whether the subject property is located in a flood plain.

Impound account—Also called an escrow account, is an account maintained by the lender to collect insurance and tax payments that are necessary for you to keep your home, but are not technically part of the home loan.

Insurance premium—The amount of money that an individual or business pays for an insurance policy.

Interest rate—The amount of interest due per period, as a proportion of the amount lent, deposited or borrowed.

Loan discount points—Are fees paid directly to the lender at closing in exchange for a reduced interest rate. It is also referred to as “buying down the rate,” which can lower your monthly mortgage payments.

Loan origination fee—An upfront fee charged by a lender for processing a new loan application. They are quoted as a percentage of the total loan.

# Glossary

**Mortgage**—A legal agreement in which a lender gives money at interest in exchange for taking the title of the debtor’s property, with the condition that the conveyance of title becomes void upon the payment of the debt. Although the state of California does not offer a “mortgage document,” the term “mortgage” is used interchangeably with home loan or real estate loan.

**Pest inspection**—When an inspector checks the exterior and interior of the property for any signs of infestation, damage, or areas that are attractive to pests.

**Prepaid interest**—The interest that a debtor pays before the first scheduled repayment.

**Principal**—Meaning an original sum invested or lent.

**Private mortgage insurance (PMI)**—A type of mortgage insurance you might be required to pay if your down payment does not meet the minimum threshold. It protects the lender if you stop making payments.

**Property taxes**—An ad valorem tax on the value of a property. The tax is levied by the governing authority of the jurisdiction in which the property is located. This can be a national government, a federated state, a county or geographical region, or a municipality.

**Recording/transfer fees**—A fee charged by County Recorders in California at the time of recording every real estate instrument, paper, or notice, except those expressly exempted from payment of recording fees.

**Reserves/escrow account**—Lender sets up a reserve fund to ensure the escrow account has sufficient funds to pay expenses, even if the borrower starts missing payments. The loan servicers calculate the amount of the reserve and bills the borrower to fund the reserve, adding that amount to the monthly payments.

**Settlement/closing fee**—Costs assessed at settlement that include a loan origination fee, points, appraisal fee, title search and insurance, survey, taxes, a deed recording fee, credit report charge, and other costs. Closing costs are usually around 3-5% of the loan amount.

**Title insurance**—A form of indemnity insurance that protects the holder from financial loss sustained from defects in a title to a property.

**Title search**—The process whereby the ownership and claims on a piece of real property are evaluated before a transaction can take place.

**Underwriting fees**—A fee charged by a lender for preparing the loan application and associated paperwork.





# Home Comparison Chart

Address:

Price: \$

Likes:	Dislikes:

Address:

Price: \$

Likes:	Dislikes:

Address:

Price: \$

Likes:	Dislikes:

Address:

Price: \$

Likes:	Dislikes:

Address:

Price: \$

Likes:	Dislikes:



# Yolo Federal Credit Union

Real Estate Center  
501 G Street, Suite 201  
Davis, CA 95616

[YoloFCU.org](http://YoloFCU.org) | (530) 668-2702 | [YoloFCU.org/Schedule](http://YoloFCU.org/Schedule)

Let's be friends!



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To become a member of Yolo Federal Credit Union, you must live, work, worship, or go to school in Yolo County.

