



SHFCU Mortgage 101

Below are answers to frequently asked questions by credit union members. Please remember you may call the credit union anytime at (716) 691-9187 and ask to speak with a mortgage specialist for further clarification.

Down Payment: Conventional mortgage guidelines require a minimum down payment of at least 5% of the purchase price.

- * We also have programs that only require 3% down and in some cases it can be financed by a loan
- * A family member may gift the down payment to you.
(Gift – requires a statement stating you do not have to pay them back)
- * Member must have saved their own closing costs.

Private Mortgage Insurance: When a borrower's down payment is less than 20%, they're required to purchase private mortgage insurance (PMI). This insurance protects the lender if the borrower should default on their mortgage and the lender has to place the loan into foreclosure.

- * PMI is paid monthly with your regular mortgage payment.
- * By law, your PMI premium will automatically stop once your LTV (Loan to Value) reaches 78%, but you can request permission to drop your PMI payments when your LTV reaches 80%. It is important to pay close attention to the equity growth of your home in relation to your mortgage balance so you do not pay for this premium any longer than necessary.
- * If you have 15% down may pay a one-time premium for PMI. This premium can be rolled into your new mortgage loan. This option is usually much cheaper than paying a monthly premium.

Points: You can purchase points to lower your interest rate.

- * 1 point = 1% of your mortgage amount
- * This amount is not credited towards your closing costs.
(You're basically buying a lower interest rate)
- * The cost of points is sometimes tax deductible as pre-paid interest. Check with your tax advisor to see if you qualify.

Escrow: Each month when you make your mortgage payment, a portion of your payment will be deposited into an escrow account to pay for taxes when they are due.

- * An escrow account is required when a member has less than 20% down payment.
- * A deposit to your escrow account must be made at closing. It is good to estimate the amount of 1 year's taxes to fund your escrow.
- * If you have more than 20% down it might be advantageous to deposit your tax savings into a savings account and pay your taxes on your own. (Dividend rates are usually higher)

Title Insurance: This insurance protects the lender from any security interest claims from previous owners or previous debts on the property. You may purchase an owner's policy if you choose.

Rate: The interest rates change daily. We have fixed and variable rate mortgages. Please call the credit union at (716) 691-9187 for our current rates.

Closing Costs: Please refer to the "Estimated Detailed Explanation of Closing Costs Worksheet."

How much money will I need to close this mortgage?

Down Payment & Points (if points were purchased) \$ _____
(Down payment = purchase price minus mortgage amount)

Closing Costs & any points purchased \$ _____
(See "Estimated Detailed Explanation of Closing Costs" worksheet)

Pre-paid Interest \$ _____
(Interest on your mortgage for 15 days. Call the credit union at 691-9187 for an amount. In most cases, this amount ranges between \$250 - \$500 +/-.)

Escrow deposit \$ _____
(estimate a total of 1 year's taxes)

This is approximately how much you should need: \$ _____*

*The following are additional expenses to budget for:

**Home inspection if you choose to hire an inspector

**Your own attorney's fees

**Any fees related to buying/selling a home – clarify these expenses with your attorney or real estate agent.