

Qualifying for a Mortgage

First Time Home Buyer's Program

Where to Start

Qualifying for a mortgage during uncertain economic times can be difficult, but with the right preparation and strategy, it is entirely achievable. Take proactive steps to strengthen your financial profile and explore all options available to you. Below are some key factors to consider and strategies to improve your chances of success.

Understand the Economic Landscape

Staying informed about economic trends is essential. In a tough economy, interest rates and property values may fluctuate. Pay attention to local housing trends.

Monitor interest rates, as fluctuating interest rates directly affect your monthly payment and total loan cost. Track market conditions, as real estate markets can shift and change quickly.

Improve Your Credit Score

Your credit score is one of the most important factors when qualifying for a mortgage.

- Check your credit report. Regularly visit annualcreditreport.com for a free report and thoroughly review it for accuracy.
- Reduce your current debt. Focus on paying down credit card balances and other high-interest debts.
- Consistently make payments for bills on time. This strengthens your credit history.

Increase Income and Show Stability

Lenders value financial stability and consistent income. Aim to remain in a stable job or consider side jobs and freelance work for supplemental income.

Be prepared to provide clear documentation for wages, bonuses, freelance work, or any other forms of income.



Save for a Larger Down Payment

A stronger financial contribution upfront can work in your favor. A larger down payment reduces your loan-to-value (LTV) ratio, making you a more appealing borrower.

While a large down payment is beneficial, you also want to ensure that you have sufficient savings remaining to cover any unexpected expenses.

Explore Different Loan Options

Different loan programs may better suit your financial situation. Consider all of the options available to you before making a decision.

FHA Loans: Backed by the government, these loans often have more flexible credit and down payment requirements.

VA Loans: Available to eligible veterans and active service members, VA loans typically require no down payment and offer competitive terms.

Conventional Loans: Requirements can vary by lender. It is important to shop around and compare options.

Prepare for Potential Challenges

Unexpected circumstances do not necessarily disqualify you, but you should be ready to address them.

If you have an employment gap, recent major purchases, or other unique financial events, be prepared to explain them clearly and professionally to your lender.

If needed, a co-signer with strong credit and stable income can help strengthen your application and improve your chances of approval.

Know Your Debt-to-Income Ratio

Understanding how lenders evaluate your financial health empowers you to apply for a loan with clarity and confidence.

In addition to your credit score, lenders pay close attention to your Debt-to-Income (DTI) ratio to assess your ability to manage future mortgage payments. Your DTI ratio is calculated by dividing your total monthly debt payments by your gross monthly income. Gross income refers to your earnings before deductions such as taxes, child support, or wage garnishments.

Monthly debt payments include minimum payments on credit cards, auto loans, student loans, personal loans, alimony, and child support. Expenses like groceries, dining out, and medical costs are not included in this calculation.

Most lenders prefer a DTI ratio of 43% or lower. If your DTI ratio exceeds this threshold, consider creating a budget to reduce your debt. Options might include consolidating debt or cutting non-essential expenses such as subscription services, dining out, or unused memberships.

Know What You Are Paying For

You may be thinking that your monthly mortgage payment only covers the cost of your new home. Your monthly payment will include:

- Principal and interest
- Homeowners' insurance
- Real estate taxes

Depending on your situation and location, you may also be responsible for private mortgage insurance (PMI), flood insurance, homeowners association (HOA), or condo fees.

Research whether there is any way to save and take advantage of assistance programs. Many local and state agencies offer financial assistance to eligible buyers, including grants or down payment support.

Be Patient and Stay Flexible

In a competitive market or challenging economy, you may need to broaden your search to include more affordable properties.

If you do not qualify now, focus on strengthening your financial profile. Try to increase your income while reducing your debts.

Crunch the Numbers

Our online calculators can help you to understand how your credit and income affect your homebuying potential.

Use them to calculate:

- How much you can afford
- How much income you will need
- An estimate of what your monthly payment will be
- The net cost of owning vs renting
- How much you can pre-qualify for

After using the calculation tool, your next steps are:

1. **Get Pre-Qualified:** Pre-qualification gives you a clear idea of what a lender may offer. Note that this is different from a loan approval.
2. **Explore Loan Options:** Compare different loan types to find what fits your budget and long-term plans.
3. **Start Your Home Search:** With a budget in mind, focus your search on homes within your price range.
4. **Make an Offer:** Your real estate agent will help you submit an offer, often with earnest money to show that you are a serious buyer.
5. **Close the Deal:** You will meet with a representative from the escrow company to finalize the loan. Once the title is recorded, the home is officially yours.



Frequently Asked Questions

Who is the Credit Union Mortgage Association (CUMA)?

CUMA is a Credit Union Service Organization (CUSO) that specializes in purchase mortgage financing.

CUSO is a company owned by a group of credit unions to provide specialized financial services to members.

Through our partnership with CUMA, we are able to provide all types of Purchase/First Mortgage options to you. CUMA is an extension of our Credit Union family.

Are Purchase/First Mortgages available in all 50 states?

Yes, although some Purchase/First Mortgage loan types may be limited in certain states.

Visit our Purchase/First Mortgage Center to learn more.

How do I apply for a mortgage?

Apply online: apcfcu.org > Borrow > Purchase/First Mortgage

On average, it will take 15 - 20 minutes to complete the application.

The application process includes answering a few simple questions about yourself, your property, your income, debts, and assets.

If necessary, you may save the application for review and completion at a later date.

APCI Federal Credit Union and You

APCI FCU, in partnership with the Credit Union Mortgage Association (CUMA), offers members several mortgage options including:

Conventional Loans: Purchase loans in all states.

FHA & USDA Loans: Purchase financing available in Virginia, Maryland, the District of Columbia, Colorado, Florida, Georgia, Illinois, Kentucky, Michigan, Mississippi, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, and West Virginia.

VA Loans: Purchase loans in all states.

Fixed Rate Mortgages: Fixed rate mortgages are the simplest. Your principal and interest payment will not change over the life of your loan because your interest rate cannot change. These are among the most popular loans for those reasons.

Adjustable-Rate Mortgages: (ARMs) offer a lower starting interest rate and therefore, a lower monthly payment. Your rate and your payment may increase as time goes on.

Jumbo Loans: A variety of Jumbo loans are offered if you need to borrow more than \$822,375.

CUMA also helps first time home buyers learn everything they need to know about the process and how to be confident in their decision.

For questions about Purchase/First Mortgages, please call 877-349-5084. Additional information and links to apply for a mortgage can be accessed from apcfcu.org > Borrow > Purchase/First Mortgage.

Purchasing your first home is a major milestone, but it does not have to be overwhelming. The more you understand about the home buying process, the more confident and prepared you will be to make informed decisions that will shape and impact your future.