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00:05 RD: Financial wellness is just like anything else: It takes a little discipline and some good advice. At Golden 1 Credit Union, we're here to help. As a not-for-profit, member-owned credit union, our main goal is to help you reach your goals. Providing financial advice and education is another way of doing just that. Whether you're trying to make a major purchase, start an investment fund, or just have some peace of mind, Golden 1 is your financial partner, and together, we can be golden.

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00:32 ML: Welcome, everyone, to our webcast, where we will be chatting with Ali Nassirian. He is the Senior Manager of Internal Home Loan Production at Golden 1 Credit Union. My name is Martin, I'm with the financial education team, and I will be your host this morning while we chat with Ali. So, Ali, I wanna give you a chance here to introduce yourself, tell our participants a little bit about who you are, what you do, and we'll go from there.

01:05 AN: Thank you, Martin. And hello, everyone. It's a pleasure to be with you today, and thank you for taking time to join us. I am Ali Nassirian, NMLS 988-202. I am the Senior Manager at Golden 1 Credit 1 Home Loans Division. I oversee the loan officer teams. Our loan officers at Golden 1 are home loan advisors. A little bit of background about me, I started out in the mortgage industry in 2005, and I have currently been with Golden 1 a little bit over six years.

01:36 ML: Great. Thank you very much. And for those of you that just joined us, feel free to type in specific questions that you have in the Ask or Respond to Questions Here box, and at the end of our pre-selected questions, we might go back and answer some questions that you have. And we do have your email address, if you registered here, so, if you have a question and Ali wants to follow up with you individually, he'll be able to do that using your email address. So, let's go ahead and get started with our first question. First question, Ali, "Does my credit score impact my ability to buy?"

02:16 AN: Yes, definitely. The credit score is one of the factors that's used in determining whether you can qualify for a home loan. It also affects several other areas of the loan. The lender will generally have a minimum credit score requirement for its products that needs to be met in order to qualify, and then you have some specialty loan products that will usually require a higher credit score. The credit score, it can also impact your interest rate and the amount of down payment, and some products require less than a down payment than others. And lastly, if mortgage insurance is gonna be needed on the loan, the credit score will play a role in what the mortgage insurance premium would be monthly, and we'll go into detail on mortgage insurance a little bit later.

02:58 ML: Great, and there's no universal rule for what a credit score should be, right, you said all lenders are different?

03:07 AN: Yeah, each lender will have its own guidelines as far as what scores they'll have minimums requirements for, and then they may have specialty products, and those specialty products may have a higher requirement of a credit score.

03:20 ML: Great. Next question: "What's the difference between pre-qualification and pre-approval?"

03:26 AN: Yeah, this one's a very popular one. So, there definitely is a difference between the two. The pre-qualification process is much quicker, it can almost be instant. So, the pre-qualification, it involves your credit being pulled and you stating either verbally or electronically on the application other details, such as income and assets. The pre-qualification letter that you will be given, it'll state that this is based off information provided verbally or electronically, but we'll still need documented proof to be reviewed by a formal loan underwriter for approval. Now, a pre-approval letter, it's gonna take a little bit longer depending on the lender's turn times, but it's a step up above pre-qualification, as it's an application that has had a thorough review of your income, assets, credit history, rental history, and debts. It will give you a solid idea of how much home you can afford, according to your lender's guidelines.

04:19 AN: The pre-approval letter is a much stronger document, as it reflects your documentation has been viewed and verified, making you and your offer a stronger candidate that someone who has not been pre-approved.

04:30 ML: So, if I go in to meet with a realtor and they wanna know what type of home I'm qualified for, is it more powerful for me to bring in a pre-approval letter from my lender or the pre-qualification?

04:45 AN: Yeah, definitely the pre-approval letter. The realtor wants to ensure the ability of the person looking to buy the home, their qualification level. So, the pre-qualification letter will have a disclaimer saying that documents still will need to get reviewed; whereas the pre-approval letter will say that you have already turned in documentation that has been reviewed by a home loan underwriter and you are pre-approved and it'll have your amount that you're approved for on there. So it is a much stronger document. Realtors will prefer that document.

05:17 ML: Great, thank you. Next question. I guess we touched on this a little bit, but I'm sure there's a lot more, "What are the necessary documents you need to prepare for a pre-approval on a loan?"

05:27 AN: So it's always a good idea to be prepared for items that a lender will ask in order to get approved for a home loan. These will vary by your situation, but it should be a good starting point. So, they may require a driver's license or ID for each applicant on the loan. They may require a copy of a social security card for each applicant on the loan. They will need the last two months statements for all financial accounts that are being used for qualification. Then they will need some income documentation. Now, income will vary based on how you receive the income, so if you are a salary or W-2 employee, they will most likely need your most recent pay stubs reflecting 30 days, and then they'll ask for W-2s for your most recent two years. If you are self-employed or a commission employee, they will ask for all pages of your last two years tax returns. Then if applicable, they'll also ask for last two years business tax returns. And then lastly, if you're retired, they will ask for a legible copy of retirement income or SSI award letter, so security award letters, then also, all pages for your last two years of tax returns.

06:32 ML: Great. I hope everybody was writing that down. That's quite a list. [chuckle] Alright, next question. This is a bit ambiguous. Of course, you can't speak to any of our individual situations, but I guess we can rephrase this to, "What do you look for when we're looking at loan qualification, and what would qualify somebody for more or less of a loan?"

07:00 AN: So, yeah, the amount you qualify for, it depends on a few factors, obviously. First one, we discussed earlier, is the type of program the lender offers. So, if they have, for example, low down payment options, this will help increase your ability to buy more home with less money down. Also, your credit, your assets and your income will also play a key part in the equation, as you will need to meet certain program credit criteria as well as making sure your qualifying ratios are within the lender allowance.

07:27 ML: Great. So, basically, it's gonna be different for everybody, and it all depends on a bunch of different factors. Next question: "What is the minimum amount needed for a down payment for closing costs and for reserves," and why don't you tell those that are wondering, what are reserves?

07:45 AN: Yeah, so, a lot here. Obviously, the down payment will vary on how much you're wanting to put down and how much the lender require for their programs. There is gonna be other costs associated with the home loan, and some of those would be possibly an appraisal fee, so, the appraisal is at the cost of a third-party evaluator who's going to appraise the value of the home. Then there could be title or escrow fees, and that will be the cost of a third-party vendor to facilitate the transaction. There's impounds. Now, impound, it's an escrow account, sometimes called an impound account, it's set up by the mortgage lender to pay certain property-related expenses. The most popular ones here would be property taxes and homeowners insurance. If you're using an impound account, depending on the time of the year of your closing, a certain amount of reserves we require to initially start the account, to have them automatically paid monthly with the mortgage payment. Now, each lender may have their own preference or requirement as far as if you need or don't need impounds, and you may also have some input there.

08:43 AN: Now, reserves, that's gonna be... Depending on your loan program, a lender may require you to have a certain amount of reserve, so that for example, a popular one is six months, a PITI as they say, principal, interest, and tax, and insurance. So they want you to have that amount in reserves and your financial statements that you're providing, so, there's gonna be a requirement sometimes on some programs with a minimum amount of reserves that you will need to meet, and what they're doing there is ensuring that you have the ability to not only pay the loan, but you have reserves stored away as well. Some other ones that come into account here: Discount points. So discount points is a fee associated when you want to buy down the rate, so, when you get a quote and they give you what the offering for that day for the rate as, they call it a par rate, which is usually a no-charge to you, there is an opportunity to buy it down to a lower rate. There would be a cost associated with that, which is the discount points. There would be lenders fees, so lenders will charge a fee to both process and underwrite the loan.

09:46 AN: And then just a few other ones here that may pop up. We have the credit report fee. That's gonna be the cost of obtaining your credit report for the lender. There's a flood certification. That's a... A flood certification is sometimes called a flood cert in real estate. It's a document that states the flood zone status of a property. A flood certification provider can then certify based on the property's location on the map, whether it's situated in a flood zone. We have tax service fee. A tax service fee is a cost that is assessed and collected by a lender to ensure that mortgagors pay their property taxes on time. We have recording fees. Recording fee is a fee charged by a government agency for registering or recording a real estate purchase so that it becomes a matter of public record. Recording fees are generally charged by the county, since it maintains records of all property purchases and sale. And then lastly, we have transfer taxes. So a transfer tax is a charge levied on the transfer of ownership or title to property from one individual or entity to another. A transfer tax may be imposed by a state, county, or [10:49] ____.

10:49 ML: So, who is in charge of putting together all of these fees and taxes and presenting it to me, the home buyer?

10:58 AN: Great question. So, once you speak with a lender, they can give you an idea about some of these fees. Obviously, some of these will need specific property information so they can get a better idea of exactly where it's at. Once you formally apply, you have a full application on file with the lender, they will then provide you what's called a loan estimate, and you should get that within three business days. A loan estimate will have almost all of these fees broken down. They are estimates because we are at the beginning stages of the loan. So that will give you an idea of what all these fees will total up to and what you would be responsible for.

11:35 ML: Great. "Do we need to pay off debt or save for a down payment, or both?" I guess the question is, "What is the lender looking at: What my debt-to-income ratio, or the size of a down payment, or are both of those a factor?"

11:50 AN: Yeah, these are great things to keep in mind. It's always good to start with the lender, when you're in the beginning stages of this process. And then you find out from them what programs are available, and they give you an idea of how much money you will need to purchase a home. Once you figure out what that down payment is needed, then you can work towards saving that amount. After you speak with them, there's a possibility of reviewing credit, and then they'll let you know what the credit score requirement will be, and then if any of your debt will need to be paid down or paid off in order to qualify, that way, when you get to later stages of the process and you're ready to begin, there's no surprises.

12:27 ML: So even if I don't have a down payment saved up and maybe my credit score isn't quite where I want it to be, do you think it would be good to go in and sit down with a lender and just kind of get a game plan for what they're gonna be looking for and what kind of steps I can take in order to make a purchase in the near future?

12:47 AN: Yes, definitely. It's usually no cost to do so. There's a lot of programs out there that someone may not be aware of. There's a lot of misconception out there about how much you need down payment to buy a home. So starting with the lender, finding out what's available, a lot of people will be surprised with some of the products that are available out there to assist in the home ownership goal. So, once you start there, you have a common goal of what you're looking to do, and you can work with your licensed lender to achieve that goal.

13:19 ML: Great. Okay, so, "Besides my mortgage payment, what else do I have to pay for monthly when I own a home?"

13:26 AN: So when you own a home, obviously, you have a principal and interest payment, the mortgage payment. There are other costs associated that come with home ownership, and some of those would be property taxes. Now, property taxes are calculated as a percentage of your purchase price. There also may be additional taxes in some counties, for example, Mello-Roos is a popular one. Mello-Roos is a tax often used for a variety of local purposes. They can be used for public services, police, fire protection, as well as maintenance and repair, like fixing schools, libraries, sidewalks, and electrical lines. Then you will have homeowners insurance. Now, the homeowners insurance policy, it insures your home structure and your belongings in the event of a destructive event, for example, a fire. Then we have homeowners association. Now, this is, if it's applicable, not all areas will have a homeowner association. A homeowner association, also known as HOA, is an organization in a subdivision, planned community, or condominium that makes and enforces rules for the properties and their residents. So those who purchase property within an HOA's jurisdiction automatically become members and are required to pay dues known as HOA fees. Then lastly, mortgage insurance, if it's applicable, and I know we're gonna go deeper into that a little later.

14:39 ML: Not to mention whatever upkeep you need to pay for around the house, of course. One of the biggest changes from being a renter to being an owner is that you're responsible for paying for everything that goes wrong with your house. [chuckle] Always good to have a little bit of extra money tucked away for that. Okay, "Do I need to save 20% of the purchase price to buy a home?"

15:01 AN: Yeah, this is one of the biggest misconceptions out there. Now, having 20% will keep your monthly payment lower. Having at least 20% down payment will reduce the amount you borrow, remove the requirement for mortgage insurance, but it is not mandatory to have a 20% down payment to purchase a home. Now, most lenders, like Golden 1, have programs that allow you to purchase a home with less than 20% down, and they're definitely worth your time to look into. Some lenders will also allow gift funds for down payment, and those can be from family members. Also, the down payment, the factors that are considered, is the type of property it will be, so if it's gonna be your primary residence, if you're gonna be living in the residence, if it's a second home, vacation home, if it's an investment home, the guidelines or requirements for down payment would vary there as well. And I wanted to share a statistic from the National Association of Realtors. So first-time home buyers who finance their home typically finance 94%. So, on average, first-time home buyers are putting 6% down payment. And then you have repeat home buyers, so these are non-first-time home buyers, are financing 84%, so 16% down payment. So as you can see from these two examples, the majority are not using the 20% in these two scenarios here.

16:13 ML: That's great to know, that there are other options out there for anyone that feels intimidated by saving the entire 20%. Alright, what do we have here? "So, what is PMI insurance, and why do I need it?"

16:27 AN: Yeah, so, when you apply for a mortgage, the lender will typically require down payment equal to 20% of the home's purchase price. If the borrower chooses to put down less than that, a lender will likely look at that loan as a possible riskier investment and require the home buyer to take out PMI, which is also known as private mortgage insurance, as part of getting a mortgage. PMI protects the lender in the event that you default on your primary mortgage and the home goes into foreclosure. Usually, this amount is a monthly amount that is derived from a factor that takes into account your loan scenario and credit, your loan-to-value, your debt-to-income, and some other factors, that you will pay with your mortgage monthly, but some lenders have capabilities of incorporating this upfront and placing the cost of the PMI in the loan rate, better known as LPMI, which stands for lender-paid mortgage insurance.

17:21 ML: So that just helps the lender have a better peace of mind when it comes to, I guess, taking a risk on somebody that might not have the full down payment saved up, right?

17:33 AN: Exactly.

17:33 ML: Okay. "If I'm buying a new house, do I need to use a real estate agent?"

17:38 AN: It's not required, although having a licensed real estate agent has many benefits. Realtors have access to a database of home listings and can save you time by getting you a list of homes in the area you're looking for with the parameters that best fit your search. Most realtors will also accompany you on your visits to advise on the home features and condition. A realtor can advise or recommend to you certain due diligence to do on a home before making an offer, such as certain types of inspections. A realtor can also help provide you with statistical information to help make an informed decision on possibly the community or neighborhood you're looking to purchase in, and that could be neighborhood statistics about schools, the commute, crime info. They can also provide you comparable sales data of other homes in the area similar to the one you're looking at and what they have sold for, what they are listed for, that can help you make a reasonable offer. They can help negotiate an offer.

18:33 AN: They could help with including the price and other clauses and contingencies in the purchase agreement. They can navigate the home inspection and negotiate repairs or credits with the seller. They can also decipher paperwork that could be filled with complex jargon and terms you don't understand, and some of those would be the RPA, which is the residential purchase agreement. And that's a contract used to outline the terms of a residential property deal between a buyer and a seller. And then there are some other required title and escrow documents that can become a little confusing that a realtor can assist with. And the question usually tied to this one is, "How do I find a realtor?" So if you start with the lender, lenders have experience and partners with realtors, and they can sometimes recommend some realtors that you can reach out to and interview and do due diligence on. Some lenders may even have a partner realtor program that would have exclusive benefits for you as the buyer.

19:27 ML: Great, and I've also heard, "Just ask your family and friends if they have a realtor that they had success with." A personal referral like that can go a long way. Do you think that the cost or the fee that a real estate agent might charge ends up being worth it because of all the added value that you mentioned, you know they can help you negotiate price, they can make sure that you get all the inspections so there are no surprise costs afterwards; whereas if you did it yourself, there might be some steps that you miss and you might end up paying more. Now, this is all speculative, of course, but I can see that the one hesitation to hiring a realtor would be, "Oh, well, I can do everything online now, and I don't necessarily need a realtor to tell me what to do."

20:17 AN: Yeah, there's definitely a lot of advantages, you don't have to have a the realtor. Some of these items I mentioned can be a little confusing or sometimes can be forgotten. This is usually going to be one of the bigger investments in the family or the individual, and you want to make sure you're using precaution, you're using due diligence as you're making these decisions. And then a realtor, a licensed individual who has experience, competitive experience in these areas, can guide you on what to keep an eye out for, what to avoid. Generally, when you're purchasing a home, the realtor... The fees for that realtor, the seller would be paying those. So, it is worthwhile to explore that option.

20:58 ML: Great, we're getting some good questions here that we'll loop back around to, but, oh, right now, actually. That was the last pre-scripted question that we have. So, Ali, if you have some time, we can go back and look at some of these questions that were presented. Some of them might require a little more explanation, in which case we can reach out and get people in touch with you or someone on your team, but the very first question we had is about a 184 loan, a 184 loan, is that... Can you address that?

21:36 AN: Yeah, the 184 loan, it's not a loan that is offered at Golden 1, but it's a certain type of loan, so that's something you want to reach out, and each lender will have their guidelines in regards to those types.

21:47 ML: Okay. And then JD had a question about Golden 1, specifically, do we have any down payment or grant programs for a first-time home buyer?

21:57 AN: So, that will vary for lenders. Apparently, Golden 1 doesn't have a formal program. It is possibly in discussion, but there are some other ways where you can get some assistance with, let's say, the down payment, we discussed earlier, there's the gift funds from a family member, sometimes there are some realtor programs with some incentives, so it's always worthwhile to discuss with a lender what are the options other than your standard 20% down. That way, you can increase your purchase power and save a little bit of capital.

22:32 ML: Great. And Leticia had a question that I think we might have answered, asking, how does she even know if she's ready to buy, and how much money does she need for a down payment? So, meet with a lender, I think, was your advice earlier. Even if you don't know if you're ready to buy, sit down and talk to a lender and figure out where you stand and what your next steps are gonna be. Is that pretty accurate?

23:01 AN: Very accurate, so, definitely, you want to start with the lender, you want to go over your scenario with them, go over the product availability that they have. Sometimes you'd be surprised that you may actually qualify today, and waiting sometimes in some markets may cost more, depending on interest rate movement and appreciation of value. So, it's always good to reach out, there's usually never a cost involved to get that initial review, and get some feedback and get some guidance on how you can move into the next steps of that process.

23:35 ML: Okay. Leticia had another question about closing costs, which Rebecca echoed here: "Is there an average closing cost value, and does that have to be cash, or can that be part of the loan?"

23:49 AN: Yeah, so, when purchasing a home, the closing cost is something that you would be responsible for on top of your down payment. Now, one of the factors that we mentioned as far as the benefit of having a realtor, a realtor can negotiate certain costs with the sellers, that way, you're not taking on all the costs. I would say there's a range, all lenders will be different, but you can always take a look at your interest rate. There's also an APR, and see, when you get your loan estimate, it breaks out the details of the loan costs and it lets you know what is the amount you're gonna be financing and what that cost is to you, so that once you apply that loan estimate is really what's going to give you a good idea of what you're looking at.

24:33 ML: Great. And then Sheila asked, "If you owned a home before, do you qualify for the first-time home buyer program again?"

24:40 AN: I like that question. That's a great question. So, according to Fannie Mae, a first-time home buyer is an individual who is purchasing the security property, will reside in the security property as a principal residence, they've had no ownership interest, sole or joint, in a residential property during the three-year period preceding the date of the purchase of the new property. They also state that anyone who is a displaced homemaker or a single parent also would be considered a first-time home buyer if he or she had no ownership interest in a principal residence, other than a joint ownership interest with a spouse during the preceding three-year time period, so, that three-year period is the key part there, not having ownership interest during that length.

25:22 ML: So, after three years, you're considered a first-time home buyer again if, after...

25:27 AN: Correct.

25:27 ML: If you're no longer... Okay, that is great. Good to know. Do we... Does... Do you... Jenny, so I don't know if this question meant does Golden 1 work with financial professionals and tax preparers, but Ali, can you answer that question?

25:47 AN: In general, a licensed loan officer usually has a lots of partnerships, connections, and they can assist and aid other services. At Golden 1, we have loan officers all over the State of California, homeowner advisors have a list of, including financial professionals and tax preparers that they will work with. Sometimes we may get asked a question where we're not licensed or experienced in that area, we need to refer them back over to a CPA or a financial professional or vice versa. So we do have those relationships open.

26:19 ML: Great. And then Alison asked if you could go over that list of what to bring in to a lender one more time.

26:28 AN: Yeah, definitely. So, documentation and some lenders will vary. A good starting point would be a copy of a driver's license or ID for each applicant, a copy of a social security card for each applicant, they will need last two months statements for all financial accounts that are going to be used for qualification, so those most likely would be bank statements, retirement accounts. They'll also need some income documentation. So, this will depend on your scenario, so if you're a salary or a W-2 employee, they will ask for the a most recent consecutive pay stubs reflecting 30 days, also, W-2s from your most recent two years. If you happen to be self-employed or a commission employee, then we'll need all pages for the last two years tax returns, and then if there's business tax returns, we'll also ask for last two years business tax with all pages. Lastly, if you're retired, they will ask for a legible copy of either your retirement, or if it's SSI social security, the award letters. And also, in addition, the last two years, all pages tax returns.

27:25 ML: And that's for each applicant name on the application, correct?

27:30 AN: That is correct.

27:30 ML: Okay. Well, that is the extent of the questions that we have. We did make a recording of this webcast which we will be releasing in a few days as a podcast that you can subscribe to. If you just Google "Golden 1 Financial Wellness Podcast," you can find our station and subscribe so every time we release a new podcast, you'll be notified and you'll be able to listen to it. Please go check out the Financial Wellness Center, there's a link right there in the middle of your screen. We have lots and lots of information, including a calculator that can help you figure out what your estimated costs are going to be as a homeowner, we have budgeting tools if you need to get ready to buy a home, lots of stuff there. I wanna give a big thank you to Ali for helping us out today and answering these great questions.

28:25 ML: Hopefully, this is something that we can start doing more and more of and bring in different experts, but Ali, the information you gave out today was invaluable to lots of people, including myself. We came up with these questions 'cause I really wanted to know the answers, so, I appreciate you being so available for everybody here.

28:48 ML: You can look for an email follow-up from us, where we'll send you a link to listen to this webcast again. If there was something that you missed or didn't get a chance to write down, don't worry, it'll be there for you again. Again, thank you so much for being here. Be sure to subscribe so that you can see more of our webcasts in the future, and we wish you all financial health and happiness, and have a great Wednesday.

29:16 AN: Thank you, everyone.

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