

CAPITOL FEDERAL PRESENTS:
THE ADVENTURER'S GUIDE
to home buying

Get Pumped!

The ride of your life begins here.

It's not everyday you choose to wake up and buy a house, or complete an eco-adventure for that matter. It takes careful thought and planning, lots of number crunching and even a little bit of an adventurous spirit. Buying a house is a big commitment and one that shouldn't be taken lightly. Throughout this guide, we'll give you all the tools, tips and tricks-of-the-trade that will make your home buying experience the most exciting and rewarding purchase you've made in your life, so far.

So get ready, lace up your boots and let's plow through all the information that's going to lead you to the house of your dreams, or at least the fixer-upper you fell in love with (you know, the one with pink walls, shag carpeting and a kitchen straight from the late 70s).

YOUR GEAR



Is Homeownership Right for You?



Steps to Homeownership.



Unexpected Obstacles.



Taking the Plunge!



Taking the Leap!



New Adventures...



Is homeownership right for you?

Buying a home is the largest purchase most people make. It has tremendous benefits, but also carries lots of responsibilities. There are several factors to consider when deciding whether or not to buy a house, but most importantly, ask yourself if you can afford it. Also, determine if owning a home is in line with your 5-10 year plan. Real estate transactions aren't cheap, so buying and then turning around and selling usually isn't a good idea. If you've got the money, the determination and are ready to settle down for a bit, then maybe home ownership is right for you.

Try out these calculators online to help with your decision: **True Blue Lending Calculators**, or visit <http://capfed.mortgagewebcenter.com/ResourceCenter/Calculators/Default.asp?PID=76>

Advantages & Risks

Advantages: Freedom to live as you wish, making the changes you want. Build wealth in the equity of your home. Home buying sets down roots and allows you to make connections with neighbors and your community. Also, possible federal income tax reductions*.

Disadvantages: Less mobility. Higher cost because of mortgage, utilities, maintenance, taxes, etc. All repairs are your responsibility (you bought it, you broke it, now you fix it!) Less mobility. A home can be a slow appreciating asset. Initial and up-front costs of owning a home could be a financial burden.

*Check with your tax advisor.

The Great Hike! Steps to homeownership

- Step 1.** Typically you can afford about 30% of your gross monthly income in mortgage payments each month.
- Step 2.** Get that Pre-Approval. Most lenders offer pre-approvals, and Capitol Federal makes it easy with online applications at <http://capfed.mortgagewebcenter.com/>. The pre-approval letter will tell you exactly how much money you will be able to get from the Bank and also show motivation when putting in an offer.
- Step 3.** House Hunt. Go wild! Visit as many houses as you want, but always remember your budget. It's easy to be let down once you realize your budget isn't going to allow for a 3-car garage and swimming pool. Be realistic, and eventually, you will find that perfect home.
- Step 4.** Make the Offer. You might end up making several offers, or even going back and forth with the same house. Just remember, only offer what you are willing to pay and feel comfortable paying.
- Step 5.** Let the Inspectors go to Work. A complete house inspection can be very important. This will tell you if anything is really wrong with the foundation, electrical or plumbing and safeguard you against "buying a lemon." Nowadays, there are also other inspections for everything from radon, termites, sewage and so on, so request them.
- Step 6.** Time to Close. If you made it through every other step, then it's time to head to the Bank and sign the paperwork. Congrats! You just bought a house you can call your own.

House Hunting Tips

- A. Take along a checklist so that you can make note of everything.
Download a checklist from www.capfed.com.
- B. Make a list of your needs and wants. Focus on your needs first and then you might have to compromise on some wants if the "perfect house" does not exist.
- C. Wear comfortable clothing and shoes.
- D. Ask your banker and realtor lots of questions.



Unexpected Obstacles.

Would you be willing to lend a stranger money without knowing anything about them? Probably not. Banks would agree with you. The bank wants to know about you and the property before making a decision on whether or not you fit the guidelines for a specific program, product or property.

During the loan process, the bank is going to ask you all kinds of questions and will verify your answers. They will look at copies of your W-2's, paystubs, recent bank statements, credit report and outstanding debt. Other questions may need to be answered with additional documentation. And, finally, questions about your new property will be answered with an appraisal.

The last thing you want to do is get in over your head, so here are some things to be aware of:

Your credit score and what it means.

A credit score is a number that is derived from lots and lots of statistical analysis done on your credit file. This number is based on different things like how much you've borrowed, how much you've used versus not used, when you opened accounts, and most importantly, how you've paid your obligations. If you haven't established "traditional credit", take the time now to get started. Banks want to see that your credit report includes a good payment history on at least four items for at least 24 months. Some loan programs require a minimum credit score, be sure to ask your loan representative.

If you are thinking about owning a home at all, you'll want to do some digging into your financial past and see what kinds of numbers you come up with. The nationwide credit agencies (Equifax, Experian and TransUnion) are required by law to provide free credit histories to anyone who asks. Once every 12 months, you can order your report at www.annualcreditreport.com. Worried you have a couple of "blemishes"? Take the time to visit www.debtadvice.org, or make a call to your local Housing and Credit Counseling Agency for additional help.



Tips to Keep Your Credit AFLOAT!

- A. Keep credit card balances at less than half of your credit limit and make monthly payments on time.
- B. Diligently review your credit report and refute any inaccuracies that show on your credit history by contacting the nationwide credit agencies.
- C. Within a few months of being approved for a home loan, do not open any new lines of credit.

Unexpected Obstacles Cont.

Down Payments

Have you been saving money for a down payment? Most banks are going to require that you have some "skin in the game", whether that is 3%, 5%, 10% or more depending on the total picture or program guidelines. This means money that you've saved and accumulated on your own. Sometimes a gift from a relative is permitted, but be sure to ask your loan representative if that is okay for the loan program you are applying for. Additionally, be prepared to have 2 months total payments in "reserve" at closing. The bank just wants to make sure that you don't get totally wiped out and unable to pay the rest of your bills that month!

Work and Income History

Have you been on your job for at least two years or at least in the same line of work with no gaps? If so, you've shown employment stability. What about income? Banks want to make sure that your source of income is stable, consistent and ongoing. Be careful if you are relying on non-salaried type income such as commissions, bonus or self-employment.

Qualifying Ratios

Fancy term to make sure you can afford the monthly house payment AND your current monthly obligations. Each bank may have a different view of what is "affordable". At Capitol Federal, we think the total new house payment (yes, that includes taxes, homeowners insurance, private mortgage insurance, etc.), shouldn't exceed 31% of your total GROSS monthly income. We then take your total monthly house payment and add on the rest of your monthly obligations and make sure it doesn't exceed 41% of your total GROSS monthly income. One thing to remember - you are the only one who knows for sure if the new payment is affordable. If your lifestyle includes eating out when you want and going to movies every now and then, you may decide to scale back the new payment so you can continue to enjoy fun things!

PMI

What is PMI, you ask? PMI stands for Private Mortgage Insurance which is extra insurance that banks require from home buyers who obtain loans with less than a 20% down payment. This insurance helps cover the bank in case you can't make your payments and the bank has to take the property back. This insurance can add a hefty amount to your total monthly house payment. Your loan representative can explain the different options available to you in detail.

Taking the Plunge!

Making the Offer.

So, you found the house, huh? Talk to your realtor about what is included on the real estate contract, and how to fill it out. In this situation, your realtor is a valuable resource and will help you step by step. There are lots of things to consider here, like: purchase price, who pays closing costs, who pays inspections, what stays and what goes. Also, an offer requires an earnest money deposit, refundable during a certain period of time, and only under certain conditions. By making an offer, you are signing a contract, and if the sellers accept, you are one step closer to owning the property. Don't be discouraged if your offer isn't accepted because they could counteroffer, and then the process could repeat again...and again.

What Flippers Fit Best?

Choosing the correct Mortgage.

Fixed-rate: Comes in 30-, 20-, 15- and 10-year loans. It guarantees the interest rate will remain the same and offers you the security of knowing the monthly principal and interest payment will never change.

Adjustable rate: Comes in 3/1, 5/1 and 7/1 ARMS. The initial interest rate on an ARM is usually lower than the rate on a fixed rate loan. The lower interest rate will remain fixed at the initial rate for the first years specified. After that, the interest rate will change annually based on the value of the index plus the margin, subject to annual and lifetime interest rate adjustment caps.

If you don't understand any of that, it's best to discuss all the options with your loan representative before deciding. The loan representatives at CapFed are available to discuss all of the options.

E-mail loans@capfed.com.



Taking the Leap!

Closing and Beyond.

Closing on a house is the final task after a long process of many ups and downs. What can you expect once you get there - other than immense relief and writer's cramp? Well to start, "the closing" refers to the day when you close the deal on your new home and on the mortgage, which you will use to buy the home.

There is usually a mountain of paperwork, but it will only take about an hour to complete. Some of the documents you could expect to see are the Truth in Lending Statement, Note, Mortgage Document and Settlement Statement. Read over these carefully and ask questions; this is no time for surprises. Each document plays an important part in explaining your responsibilities as a borrower, such as what you owe back to the Bank, your monthly payment to the bank and more.

Finally, there will be a few other real estate documents that will need your John Hancock, but once you get through those, you can sit back and relax. Now you get the keys. Oh, and don't forget - keep all those papers for your tax records. If you ask nice enough, you might even get a nice folder to store them in.

First-Time Home Buyer Tax Credit

First-time home buyer purchases made on, or after January 1, 2009 and before April 30, 2010 are eligible for a First-Time Home Buyer Tax Credit. However, in cases where a binding sales contract is signed by April 30, 2010, a home purchase completed by June 30, 2010 will qualify.

\$8,000 Home Buyer Tax Credit at a Glance

- For first-time home buyers only
- Does not have to be repaid
- Equal to 10 percent of the home's purchase price up to \$8,000
- For sales after November 6, 2009, income limits of \$125,000 for single taxpayers and \$225,000 for married couples filing joint returns are set.

Visit www.federalhousingtaxcredit.com for eligibility requirements, frequently asked questions and more.



You've reached the Summit!

YOU DID IT! You came, you saw and you conquered the ins and outs of home buying. You probably went from ecstatic to nervous to frustrated to relieved to extremely happy throughout the process, but in the end, you succeeded in purchasing your first home. Congratulations! Thanks for trusting Capital Federal to be your guide through it all!

And don't forget, CapFed will be there throughout the life of the loan to help you, whenever you might need it.

Even though this adventure is over...



*...there are always new ones
just around the corner!*

How to finance renovations.

Once you've built up some equity (fancy word for the difference between your house value and the remaining mortgage balance on your house), you can apply for loans for anything from home improvements to financing education. At Capitol Federal, you'll enjoy a low rate, and the interest is usually tax deductible. Visit with a loan rep to find out more (loans@capfed.com). You can apply for a Home Equity Loan online at capfed.mortgagewebcenter.com/.*

Budget Home Makeover Tips

- To save money, do some of the minor work yourself. Books from the library, or home improvement store can help.*
- Don't overbuy. Purchase appliances based on requirements, not bells and whistles.*
- Painting is the quickest and least expensive makeover technique.*

** Check with your tax advisor.*

Need More Guidance?

Any Capitol Federal associate would be glad to help you out. Visit any branch in your area, call 1-888-8CAPFED, or use the contact us form on capfed.com.





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