

FIRST TIME HOMEBUYER GUIDE



About Tennessee Valley Federal Credit Union

Tennessee Valley Federal Credit Union is a member-owned, not-for-profit financial institution. With over 174,000 members and 29 branch locations spanning Southeast Tennessee and Northwest Georgia, TVFCU offers members a range of products including, checking accounts, auto loans, home loans, and personal loans. Working with our mortgage team means personalized home loans, competitive local rates, and in-house loan programs.

For over 90 years, TVFCU has been built around a simple idea: people helping people. Since 1936, our members have trusted us through first savings accounts, first car loans, growing families, new businesses and countless moments in between. While a lot has changed over the last nine decades, one thing hasn't: our members have always been at the center of our story.

With better rates, faster approvals, and more loan options than ever, TVFCU is ready to be your go-to, award-winning mortgage team. Let's make home happen.



Buying Your First Home Starts with a Plan

Buying a home is a major financial decision, but the process becomes easier to understand when you take it one step at a time. This guide will help you prepare your budget, understand common loan options, gather important documents, and know what to expect from prequalification through closing.

What You Will Learn

- How to build a realistic homebuying budget.
- Which expenses to plan for beyond the down payment.
- How common mortgage options work.
- What documents you may need during the application process.
- What happens between application and closing.
- How to compare homes based on cost, condition, location, and lifestyle.





Start with Your Monthly Budget

You probably know how much you pay in rent each month, but smaller expenses can be easy to overlook. Property taxes, insurance, and general maintenance can make a difference in your monthly budget.

Track all income and spending for at least one full month. A detailed record will show where your money is going and help you decide what monthly housing payment feels comfortable, not just what you may be approved to borrow.

Tips for Building a Budget You Can Follow

Talk with your household.

Make sure everyone understands the plan and has an opportunity to contribute.

Set specific goals.

Choose a savings target, a preferred monthly housing payment, and a realistic homebuying timeline.

Be realistic.

A budget that is too restrictive can be difficult to maintain. Leave room for regular expenses and occasional surprises.

Review and adjust.

Your first budget does not have to be perfect. Update it as your income, expenses, and goals change.

Use the Monthly Budget Worksheet

to list your income, debt payments, utilities, transportation, insurance, food, personal spending, entertainment, and savings contributions.



Decide What You Can Comfortably Afford

It can be tempting to compare a future mortgage payment directly with your current rent. However, the total cost of owning a home includes more than principal and interest.

Depending on the property and loan, your monthly or annual housing costs may also include:

- Property taxes
- Homeowners insurance
- Mortgage insurance, when applicable
- Homeowners association fees
- Utilities
- Lawn care and pest control
- Routine maintenance and unexpected repairs

For example, paying \$2,200 in rent does not automatically mean a \$2,200 principal-and-interest payment will fit your budget. Your full housing payment and ongoing ownership costs could be higher.

Try to leave room between your expected housing expenses and the highest payment you could technically qualify for. That buffer can help you handle repairs, utility costs, and other changes without putting pressure on the rest of your budget.

Plan for the First Weeks of Homeownership

Many buyers make several purchases soon after closing. Build these items into your savings plan rather than treating them as an afterthought:

- New locks or rekeying
- Smoke and carbon monoxide detectors
- Window coverings
- Repair tools
- Lawn equipment
- Furniture or appliances
- Immediate repairs identified during the inspection
- Future maintenance for the HVAC system, roof, windows, crawlspace, basement, or water heater



Knowing When You Are Ready to Buy

Homeownership can be a valuable long-term goal, but the right timing depends on your finances, lifestyle, and future plans. Before you begin shopping, consider the following questions.

1. Save for more than the down payment.

You may also need funds for closing costs, an inspection, an appraisal, earnest money, moving expenses, and initial household purchases. Exact costs vary by loan and transaction.

2. Review your credit.

You do not need perfect credit to begin a conversation with a lender. In general, stronger credit may provide access to more loan options or better pricing. Minimum requirements vary by program and borrower profile.

3. Think about how long the home may fit your life.

Consider your household size, commute, preferred location, future plans, and the amount of maintenance you are willing to take on.

4. Compare renting with the full cost of ownership.

Look beyond the mortgage payment and consider taxes, insurance, fees, maintenance, and the savings you will need to keep after closing.

**Requirements may vary by loan program and can change.*

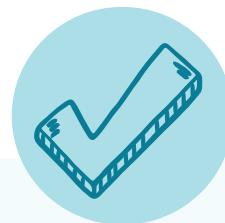




Prepare Your Credit and Finances

Your credit history, income, assets, and existing debts help a lender understand your financial profile. Preparing early can make the application process more organized.

Before You Apply

☐

Review your credit reports for inaccurate information.

☐

Pay bills on time and avoid taking on unnecessary new debt.

☐

Avoid large deposits or transfers during the mortgage process.

☐

Do not open new credit accounts or finance major purchases without speaking with your loan officer.

☐

Build an emergency fund that will remain available after closing.



Understand the Basics of Mortgage Loans

A mortgage is not one-size-fits-all. Your loan officer can help you compare options based on your credit, income, savings, property, and long-term plans.

Conventional and Government-Backed Loans



Conventional Loans

These loans are not insured or guaranteed by a federal government agency. Conforming conventional loans meet guidelines that allow them to be purchased by investors such as Fannie Mae or Freddie Mac. Nonconforming loans include loans that fall outside those limits or guidelines, such as many jumbo loans.



Government-backed Loans

These loans are insured or guaranteed by a federal agency, such as the Federal Housing Administration, U.S. Department of Veterans Affairs, or U.S. Department of Agriculture. Each program has its own eligibility and property requirements.

Fixed-Rate and Adjustable-Rate Mortgages

FEATURE	FIXED-RATE MORTGAGE	ADJUSTABLE-RATE MORTGAGE
Interest Rate	Stays the same for the life of the loan.	May change after the initial fixed period according to the loan terms.
Principal and Interest	Remains consistent when payments are made as scheduled.	May increase or decrease when the rate adjusts.
Common Fit	Buyers who value predictability or expect to keep the loan for a longer period.	Buyers who understand the adjustment terms and may sell or refinance before the first adjustment.
Important Note	Taxes, insurance, and other escrowed costs may still change the total monthly payment.	The initial rate may be lower, but borrowers should be prepared for possible future payment changes.

Common Home Loan Options

Conventional Loan

A conventional loan can be a flexible option for qualified buyers. Some programs may allow down payments as low as 3 percent. Conventional loans may be available with fixed or adjustable rates and a variety of terms. Mortgage insurance is generally required when the down payment is below the applicable threshold, although the exact requirements depend on the loan.

FHA Loan

FHA loans are insured by the Federal Housing Administration and may be useful for buyers with limited down payment savings or a developing credit history. Qualified borrowers may be able to purchase with as little as 3.5 percent down. FHA loans require mortgage insurance and are intended for a primary residence.

Portfolio Loan

Portfolio loans are originated, underwritten, and retained by the lender rather than being sold under standard investor guidelines. This may provide flexibility for borrowers with unique income, credit, or property circumstances. TVFCU portfolio options may be worth discussing if you are self-employed, receive nontraditional income, or are purchasing a property that does not fit standard program guidelines.

Jumbo Loan

A jumbo loan may be used when the amount borrowed is higher than the applicable conforming loan limit. These loans have additional credit, income, asset, and down payment requirements. Fixed-rate and adjustable-rate options may be available for qualifying properties and borrowers.

VA Loan

VA loans are backed by the U.S. Department of Veterans Affairs and are available to eligible service members, veterans, and certain surviving spouses. Qualified borrowers may be able to purchase with no down payment, and monthly private mortgage insurance is not required.

USDA Loan

USDA loans are backed by the U.S. Department of Agriculture and are designed for eligible borrowers purchasing a primary residence in a qualifying rural or suburban area. Qualified buyers may be eligible for 100 percent financing.

Construction-to-Permanent Loan

A construction-to-permanent loan can finance the construction of a home and then transition into permanent mortgage financing after the build is complete. Funds are generally released in stages, called draws, as work is completed and inspected. During construction, borrowers may make interest-only payments on the amount that has been disbursed.

Land Loan

A land loan can help finance the purchase of undeveloped or partially improved property. Because land loans are different from traditional mortgages, down payment, term, access, zoning, utility, and future construction requirements may vary. Speak with a loan officer before making an offer on land so you understand the financing options and property qualifications.

We Offer Various Loans for Different Credit and Income Conditions

LOAN	WHO IS IT FOR?	DOWNPAYMENT MINIMUM	TERMS
Veterans Affairs (VA)	Veterans, active-duty military, and eligible surviving spouses.	0% down	15- and 30-year options
Federal Housing Administration (FHA)	Borrowers who need help with low-income, have a lower down payment and need flexible credit requirements.	As low as 3.5%	15- and 30-year options
United States Department of Agriculture (USDA)	Low-to-middle income households looking to buy outside the city. Household income must meet specific guidelines and be in an eligible rural area.	0% down	30-year
Adjustable-Rate Mortgage (ARM)	People who don't plan to stay in the house forever, or who expect their income to go up soon.	Loan down payments of less than 20% may require private mortgage insurance.	5, 7, and 10-year initial rate periods.

LOAN	WHO IS IT FOR?	DOWNPAYMENT MINIMUM	TERMS
Fixed-Rate Mortgage	People who plan to stay in their home for longer and want a predictable bill every month.	As little as 3% to 5%	Offered as 10, 15, 20, or 30-year terms.
Land Loan	Borrowers who want to secure land now, even if they are not ready to build right away.	Our land loans require a down payment of as little as 5%	Lot loans are typically a shorter term than mortgages. TVFCU offers loans from 7 to 20 years.
Construction-to-Permanent Loan	People who are ready to build a home and want one mortgage from start to finish.	As little as 5%	12-18 month build period. Offered as a Fixed-Rate or adjustable-rate options.

How Do Mortgage Loans Actually Work?

Buying a home is exciting, but figuring out how to pay for it can be confusing. With so many different loan names and acronyms, it's hard to know where to start. Before looking at specific loans, it helps to know what changes your monthly payment. Generally, four main things determine what you qualify for:

1. Interest:

The interest is the cost of borrowing the money.

2. Interest Rate:

The percentage of the principal amount that a lender charges as interest to the borrower, for the use of their money.

3. Loan size:

Does the amount you want to borrow fit within standard limits?

4. Mortgage Insurance:

Different programs and different down payments impact if you need mortgage insurance and how much it costs each month.

"I Don't Have a Big Down Payment"

Conventional Loans:

You generally need a minimum of 3% down.

FHA Loans

These loans are backed by the government and are very popular for first-time buyers.

VA Loans

If you are active-duty or have served in the military, this is often your best option.

USDA Loans

This is a program designed to help people buy homes in rural areas or qualifying suburbs.

"I Want a Standard Loan"

Conventional Loans:

Fixed-rate or Adjustable-rate. This is the most common type of mortgage. It is usually the lowest-cost option if you have a strong credit history.

Fixed-Rate Loans

This isn't a specific "program," but a way your interest works. With a fixed rate, your interest rate and monthly payment never change.



Begin with Prequalification or Preapproval

Many buyers speak with a lender before they begin touring homes. This conversation can help you understand your estimated price range, possible loan programs, and the funds you may need for the transaction.

Prequalification

A prequalification is based on financial information you provide to the lender. Some or all of the information may not yet be verified. It can provide an early estimate of the amount you're able to borrow.

Preapproval

A preapproval typically involves a more detailed review of your application, credit, income, assets, and supporting documents. If the initial requirements are met, the lender may issue a conditional approval for a specific amount. Final approval still depends on the property, appraisal, title review, underwriting conditions, and other loan requirements.

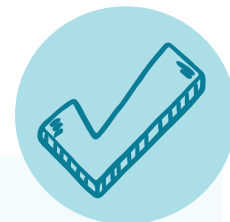




Gather Your Mortgage Documents

Providing complete documents promptly can help keep the mortgage process organized. Your loan officer may request different or additional information based on your employment, income, assets, credit history, property, and loan program.

Documents Commonly Requested

☐

Recent pay stubs covering approximately 30 days

☐

W-2 forms from the previous two years

☐

Personal tax returns from the previous two years, including all schedules, when required

☐

Recent statements for checking, savings, and money market accounts, including every page

☐

Recent statements for retirement and investment accounts, including every page

☐

TVFCU membership account information, when applicable

☐

A government-issued photo ID and any other identification requested by your loan officer

Additional Documents That May Be Needed

Other Income

Benefits and recent 1099 forms for Social Security, pension, disability, or other qualifying income.

Purchase Contract

A signed purchase agreement and documentation of the earnest money deposit. Do not use cash for an earnest money deposit unless your loan officer has confirmed that it can be properly documented and accepted.

Self-Employment

Business tax returns, year-to-date profit and loss statements, balance sheets, business bank statements, or other documents requested by underwriting.

Legal or Financial History

Bankruptcy documents, divorce decrees, separation agreements, child support documentation, or other applicable records.

Document Best Practices

- Send every page of each statement, even blank pages.
- Respond to document requests as quickly as possible.
- Keep copies of everything you submit.
- Ask before moving large amounts of money between accounts.
- Continue making all required debt and housing payments on time during the loan process.



Know What Happens from Application to Closing



Application

You provide information about your finances, the property, and your loan goals. After receiving a completed application, the lender will provide required disclosures, including a Loan Estimate when applicable.



Origination and Document Collection

Your loan officer and mortgage team review the application, discuss available options, and collect the documents needed to support the information provided.



Processing

The processor organizes the file, verifies information, orders required third-party services, and identifies any additional documentation that may be needed before underwriting.



Underwriting

An underwriter reviews the complete loan file to determine whether it meets the applicable credit, income, asset, property, and program requirements. The underwriter may approve the loan, approve it with conditions, suspend it for additional information, or decline it.



Final Approval and Closing

After all required conditions are satisfied, the loan can move toward final approval and closing. Before closing, review your Closing Disclosure and ask questions about any amount or term you do not understand. At closing, you will sign the final loan and property documents and provide any required funds using the method approved by the closing agent.



What Your Closing Documents May Include

Your final documents will itemize the funds and charges connected with the transaction.

This may include:

- The amount due from the buyer and the amount paid to the seller
- Lender fees, discount points, and other loan charges
- Prepaid interest
- Initial escrow deposits for property taxes and homeowners insurance
- Title search, lender title insurance, and optional owner's title insurance charges
- Appraisal, inspection, recording, settlement, and other third-party fees
- Real estate commissions or seller-paid costs, when applicable



Never send money based only on emailed wire instructions. Confirm all wiring or payment instructions directly with the closing company using a trusted phone number. Once your financing is in order, decide what matters most before you begin touring homes. A clear list of priorities can help you stay focused and compare properties more objectively.



Shop for a Home with Your Priorities in Mind

Consider the Location and Lifestyle

- Neighborhood and surrounding area
- Distance to work and regular destinations
- Nearby schools, parks, shopping, and services
- Traffic, noise, sidewalks, and street conditions
- Utilities, garbage collection, HOA rules, and neighborhood restrictions
- Flood zones, easements, and environmental considerations

Consider the Property

- Purchase price and estimated total monthly housing expense
- Square footage, lot size, and year built
- Number of bedrooms, bathrooms, closets, and storage areas
- Layout and space for work, laundry, dining, or recreation
- Condition of the roof, HVAC, plumbing, electrical system, windows, foundation, crawlspace, or basement
- Age and condition of appliances and major systems
- Potential repairs, updates, and maintenance costs



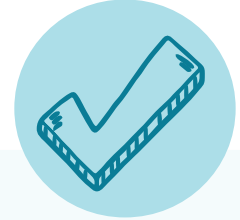
Create a Short List of Priorities

Choose three to five non-negotiables and separate them from features that would simply be nice to have. Use the Home Comparison Chart at the back of this guide after each showing to record the property details, estimated costs, condition, and how well each home fits your lifestyle.



Your First-Time Homebuyer Checklist

First-Time Homebuyer Checklist

☐

Track your monthly income and expenses.

☐

Choose a comfortable housing budget with room for maintenance and savings.

☐

Review your credit and avoid unnecessary new debt.

☐

Save for the down payment, closing costs, moving costs, and emergency expenses.

☐

Compare loan options based on the full cost, not only the interest rate or monthly payment.

☐

Gather financial documents and keep them updated.

☐

Make a list of your home and location priorities.

☐

Review the inspection, appraisal, title information, and closing documents carefully.

☐

Ask questions whenever something is unclear.

Ready to Take the Next Step?

A TVFCU mortgage loan officer can help you review your budget, understand available loan programs, and prepare for the homebuying process. Connect with our local team to discuss your goals and learn which options may fit your financial situation.

Let's make home happen.

tvfcu.com/mortgage | 423-634-3600



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All loans are subject to credit approval. Rates, terms, product availability, property requirements, and eligibility criteria are subject to change.



Monthly Budget Worksheet

Use this worksheet to compare your total income to your total expenses. Based on your comparison set a budget for reasonable expenses. This exercise can help you determine what kind of mortgage payment is within reach.

1. List your income
2. List your expenses
3. Subtract your total spending from total income to build your budget

Month of: _____

Income

NET MONTHLY INCOME / TYPE OF INCOME	MONTHLY AMOUNT
Employment	\$
Government Benefits	\$
Disability Benefits	\$
Other Income	\$
TOTAL INCOME THIS MONTH	\$

Expenses

UTILITIES	MONTHLY AMOUNT
Electricity	\$
Heat	\$
Water / Sewage	\$
Internet / Cable	\$
Cell Phone	\$
TOTAL THIS MONTH	\$

SAVINGS CONTRIBUTIONS	MONTHLY AMOUNT
Savings Account	\$
Other Savings	\$
TOTAL THIS MONTH	\$

INSURANCE	MONTHLY AMOUNT
Auto	\$
Health / Dental	\$
Life	\$
Homeowners / Renters	\$
Disability	\$
TOTAL THIS MONTH	\$

FOOD & BEVERAGE	MONTHLY AMOUNT
Groceries	\$
School or Work Lunches	\$
Restaurants	\$
Coffee shops	\$
TOTAL THIS MONTH	\$

MEDICAL	MONTHLY AMOUNT
Doctor / Dentist	\$
Prescriptions	\$
Hospital	
TOTAL THIS MONTH	\$

TRANSPORTATION	MONTHLY AMOUNT
Auto	\$
Maintenance	\$
Parking	\$
Public Transportation	\$
TOTAL THIS MONTH	\$

ENTERTAINMENT	MONTHLY AMOUNT
Subscriptions	\$
Clubs / Hobbies	\$
Movies, Concerts & Events	\$
Vacations	\$
Other	\$
TOTAL THIS MONTH	\$

PERSONAL CARE	MONTHLY AMOUNT
Clothing	\$
Salon Services	\$
Dry Cleaning / Laundry	\$
TOTAL THIS MONTH	\$

DONATIONS & DUES	MONTHLY AMOUNT
Religious Contributions	\$
Charity	\$
Union	\$
Organizations	\$
TOTAL THIS MONTH	\$

DEBT PAYMENTS	FREQUENCY	MONTHLY AMOUNT
Credit Cards		\$
Car loans		\$
Student Loans		\$
Federal and State Tax Obligations		\$
TOTAL THIS MONTH		\$

TOTAL EXPENSES THIS MONTH	\$
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Building your budget:

\$ _____ - \$ _____ = \$ _____

Total income this month.

Total expenses this month.

If your income is more than your expenses, you have money left to save or spend. If your expenses are more than your income, review your budget to identify areas where you may be able to reduce spending.

Home Comparison Chart

	HOME 1	HOME 2	HOME 3
Address			
Square footage			
Lot size			
Year built			

Home Financials

	HOME 1	HOME 2	HOME 3
Asking price			
Estimated monthly principal and interest			
Estimated water and sewer bill			
Estimated heating / electrical bill			
Property taxes			
HOA fees			

Neighborhood & Lifestyle

	HOME 1	HOME 2	HOME 3
Proximity to work			
Nearby schools			
Parks			
Traffic volume			
Environmental factors			
Neighbors' properties well-maintained			
Sidewalks			
All utilities installed			
Garbage collection			
Neighborhood restrictions			
Flooding risk			
Restrictive easements			

Home Layout

	HOME 1	HOME 2	HOME 3
# of bedrooms			
# of bathrooms			
# of closets			
Family room			
Separate dining room			
Exterior condition			
Updated appliances			
Finished basement			
Laundry space			
Kitchen			
Office space			
Storage / attics			
Yard			

Home 1 Notes:

Home 2 Notes:

Home 3 Notes:



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