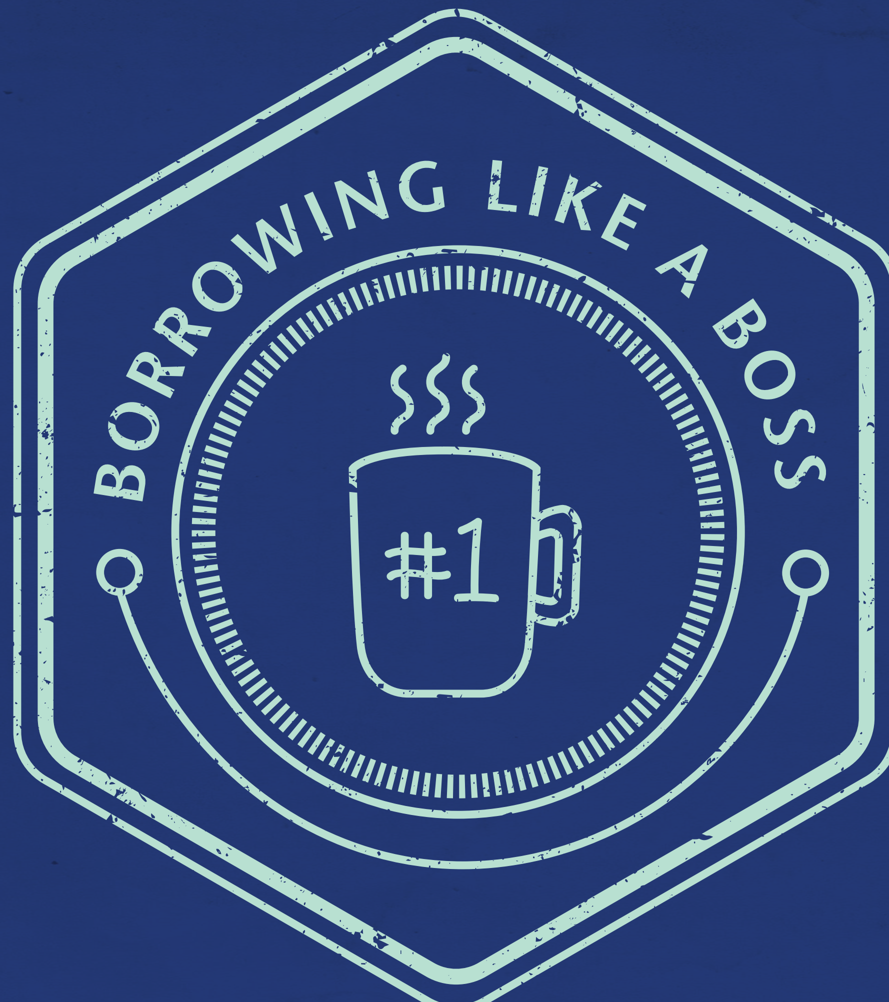


First Federal

The power of borrowing like a boss

Borrowing can help you do some pretty wonderful things. Like getting that home that's right for you and your family (or family to be!). The place where you'll make memories that will last a lifetime.

It can also help with practical things. Like helping you buy a car to get to work and to get your whole crew around safely and reliably.

But it's easy to get carried away and forget that borrowing should be about getting the money you need, not all the money you can get. That's why we put together the guide for borrowing better. It'll help you understand the ins and outs. So borrowing doesn't become a source of anxiety, fear, and stress (arrrggghhhh!). Rather, it becomes a way for you to accomplish some pretty great things.

Becoming the boss of borrowing

We're going to look at two ways that borrowing can be a smart move for you and your money.

- Borrowing related to a home
- Borrowing related to a vehicle

We'll look at what you'll need to know for each. And give you some tips so you can be the boss of your borrowing.

Decoding your credit score

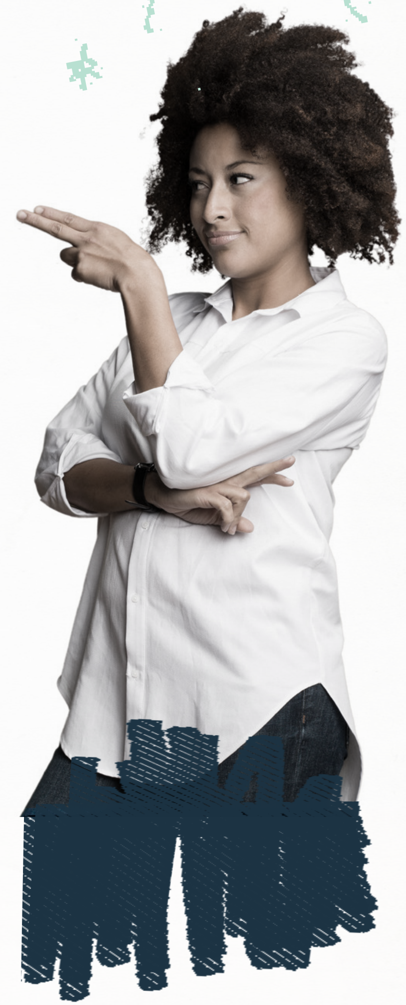
You've probably heard the term. It gets thrown around a lot. But what exactly is a credit score and why is it important?

Whenever you apply for any type of loan – like a mortgage or car loan – the bank will look at your ability to pay back that loan. Your credit score shows how you have handled your credit in the past, as well as how you are managing your credit now. It takes into account things like:

1. If you've paid bills on time in the past
2. How much debt you have, and what kind
3. How much you owe on things like your credit card, compared to its limit
4. How long you've had that credit card and other loans
5. How long you've been a good borrower
6. The number of times a lender has checked your score, like when you apply for a loan or credit card

Generally speaking, the higher your credit score, the better the chance of you being approved for a loan. And that's not all. Sometimes a better credit score qualifies you for a better deal (lower rates, lower loan fees, etc.)

So it's smart to know your score. And to work on improving it to get to those better deals. !!!!!



MAKE THAT CREDIT SCORE RISE

Raising your credit score takes a sensible approach, and here are some simple tips we've put together to get you started. Then you'll be in position to watch that score go up, up, up.

CREDIT SCORE

PAY ON TIME

Late payments and collections can drag your score down. Payment history accounts for nearly 40% of your score, so make it a habit to pay on-time.

KEEP LOW BALANCES

Shoot for using 30% or less of the credit that's available to you.

CHECK FOR MISTAKES

Get in the habit of requesting your credit score and look for any mistakes on the report that should be fixed.

DON'T COLLECT CARDS

Opening new cards just to raise your available credit can actually hurt you. That said...

DON'T DITCH THE CARD

...Closing credit cards you don't use may reduce your available credit, which can be a negative on your report.

MIX IT UP

Using varied types of credit - like credit cards, home loans and personal loans - looks good on your report.

What will a lender need to know?

We all want to be the boss of borrowing. To be that boss, we need to understand the types of things a lender will need to know about us, our situation, and our goals.

PURPOSE

The more our lender knows, the better able they are to help us find the right fit. Take a home loan for example. Our lender should have a good understanding of our needs – whether we're buying our first home, seeking more space for a growing family, building a new home, or downsizing for retirement.

CREDIT

Knowing your credit score, which tells your history of paying on past debts like credit cards and other loans, helps the lender know what type of borrower you are.

INCOME

Knowing this helps the lender understand our ability to pay back the loan and to find the right amount for our situation.

ASSETS

The lender will want to know what assets we have. This could be a home, business, investments, cash in the bank, and more.

DEBTS

This helps the lender know what we owe to others. This can impact how much money we can qualify for and the interest rate we can get.

COLLATERAL

The lender will want to know the value of the home or vehicle we're looking at buying.

One of our home loan consultants can work with you to gather what you'll need, answer any questions you have, and make the home buying process less stressful. Get connected now.

HOME LOAN LINGO

Before digging into all the details, it's important to understand the phrases that will be thrown around – and how they can save you some cash up front or in the future. Here are some key terms to know before you get started buying a home.

CLOSING COSTS

These are charges for the process of getting a loan – mostly from third parties – for things like title fees or a home appraisal. Your lender should help you understand them all.

DOWN PAYMENT

The down payment is the part of the house sales price that you'll pay up front. The money for a down payment can come from the cash you've saved up, the amount you've made off the sale of another home, a gift from a relative, etc.

EQUITY

This is the value of the home you own after taking away what you owe in loans. If your home is worth $150,000 and your mortgage loan balance is $110,000, you have $40,000 in equity.

ESCROW

This is an extra amount that gets added to your monthly payment so your lender can pay things like property taxes and insurance costs for your home.

INTEREST RATES

This is what you're paying to borrow money from a lender. It's usually talked about as an annual percentage. The lower the interest rate, the less you pay for the money you borrow.

LOAN-TO-VALUE (LTV)

This describes the size of the loan you're getting (or already have) vs. the value of the home you're buying (or already own). It's expressed as a percentage (loan size divided by home value = LTV%) and is a key to understanding how much you may be able to borrow, or where you stand with your existing loan.

Borrowing related to a home

BUYING A HOME

Buying a home is one of the most momentous purchases most of us will ever make. It should be an exciting time – whether it's your first home or stepping up from that starter home.

There is a lot involved in borrowing for a home. Understanding the lingo and how to make smart decisions can keep the stress low. And help you focus on all the good stuff that comes with moving into your new home.

HOME LOAN OPTIONS

The good news for homebuyers is that there are plenty of mortgage loan options to choose from. Let's take a look at three options:

CONVENTIONAL

This is the traditional mortgage you might think of. It can have an interest rate that adjusts with the market or is fixed for the life of the loan.

FHA

This mortgage program typically has a fixed interest rate and options for a low down payment, making it appealing to many first-time homebuyers.

VA

This program is an option for active-duty military members and veterans and it offers a fixed interest rate.

We've given you just a brief bit of information about each program. An experienced lender can help you dig in deeper and identify the mortgage program that best fits your situation.

It's also important to consider a couple factors that will influence how much you'll need to pay up front and over time.

LOAN TERM

Typically, homebuyers look for a 15-, 20- or 30-year mortgage. A shorter-term mortgage might be right if you're hoping to build equity or pay the home off quickly and can afford higher payments. A longer-term mortgage could be a good fit if you're planning to stay in the home for awhile or are looking for lower monthly payments.

DOWN PAYMENTS

Your lender can help you identify how much you'll need to put down in cash for the home you're buying. Keep in mind – the more you put down in cash, the lower the loan amount and the less you could pay each month.

HOW MUCH SHOULD I BORROW?

“How much home can I buy?” – that’s usually the big question, right? Let’s flip that around. It’s not how much home you could buy. It’s how much home you should buy. Because the power of borrowing like a boss is using a loan to do smart things, not cause more money headaches.

A good rule of thumb is to consider having your mortgage payment, plus your monthly taxes and insurance, not exceed 25% of your income. But this is just a ballpark number. Sitting down with one of our home loan consultants can help you figure out exactly how much home fits for you.

Ready to learn more about the mortgage options available to you? We’ll hook you up with a consultant to answer all your questions. Get connected now.

Building a home

Designing and building a home from scratch is an exciting, dream-fulfilling time. The right loan will help you ensure that dream home becomes reality without a hitch. A smart lender can help you understand the process of financing the effort and navigating all the steps – from the day you break ground to the day you get keys and move in.

Improving your home

BORROWING TO IMPROVE YOUR HOME

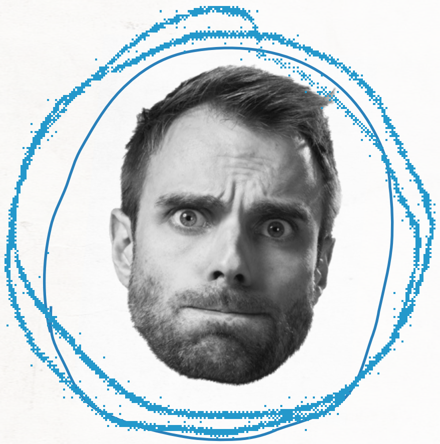
As long as there have been homeowners, there have been home improvement projects. Maybe you want to renovate a bathroom. Upgrade a kitchen. Or turn the backyard into your personal ninja-training course (we're not judging here).

One simple rule is to ask yourself, "Will this improvement increase the value of my house if I were to sell it?"

If it feels like the right decision, then let's look at what you need to know to get that done

What are my options?

The good news is that you have plenty of options for using your home as a way to get the cash you'll need to do improvements. We've highlighted a few types of loans to look at:



HOME EQUITY LINE OF CREDIT

This popular loan type allows you to use the value you've built up in your home (your "equity") to make improvements. And, you can borrow funds as you go and pay interest only on the loan amount you've used. In most cases, these loans may let you borrow up to 90% of the value of your home (remember "loan-to-value" from a few pages ago?). Here's an example: You bought a house for $200,000 and you currently owe $150,000 on it. That means you have $50,000 in equity ($200,000 - $150,000 = $50,000). As suggested above, let's say you're able to borrow a maximum overall total of 90% of the home's value, or $180,000 ($200,000 X 90% = $180,000). In this case your home equity credit line could be up to $30,000 for improvements ($180,000 maximum overall minus the $150,000 loan you already have = $30,000 additional).

CASH-OUT REFINANCE

Just like the home equity credit line, here you're tapping into the value you have built up in your home to pay for home improvements. But instead of ending up with two loans (your existing mortgage plus a new credit line), you are totally refinancing your existing mortgage at a higher amount to cover what you owe currently and provide funds for the improvements. In some cases a cash-out refinance may also help you improve your interest rate. The allowable loan-to-value on these loans is typically lower, however, usually around 80%. In this example, let's assume your house is worth $250,000 and you owe $160,000 on your current mortgage. If the highest allowable loan is $200,000 (80% of the $250,000 value), after paying off the first mortgage you're left with $40,000 for improvements ($200,000 new loan covers the $160,000 and leaves $40,000 remaining).

UNSECURED HOME IMPROVEMENT LOAN

This one is different – it's not connected to the value you have built up in your home. It is a personal loan the bank makes to you. Usually, the interest rate is a little higher and you can't borrow quite as much.

Lowering your payment

↓%

Who wouldn't like to lower expenses and have a little extra cash? You may be able to do that by refinancing your home. Refinancing can be a way to get a lower interest rate (and lower your payment). Or it could help you move from an adjustable rate mortgage to a fixed rate and stabilize your payment for the life of the loan.

So when's the right time to refinance your home? Here are a few key questions to ask:

ARE INTEREST RATES LOWER THAN WHEN I BOUGHT THE HOUSE?

The lower interest rate can lower your monthly payment.

HAS MY HOME MAINTAINED OR INCREASED ITS VALUE?

If property values have declined, your home won't be worth as much and you won't be able to borrow as much.

DO I HAVE EQUITY?

You'll need to have some equity (the difference between what the house is worth and how much you owe) before you'll be able to refinance your current mortgage, but in some cases not a lot.

DO I HAVE GOOD CREDIT?

Your credit history will play a big part in your ability to score a better interest rate. The higher the credit score, the better chance you'll have of a lower interest rate.

HOW LONG DO I PLAN TO STAY?

This isn't a short-term saving strategy. It's a more long-term approach that looks at the money you can save by lowering the interest you're paying on the loan.

Future thinking and future you

There are a lot of reasons to borrow money. And a lot of options. Some may make sense now. But what about 10 years from now? 15? It's important to take a second and think about how borrowing decisions can impact future you. It might seem like a smart decision now. But will it be a pain in the neck down the road?

Here are a couple questions to consider as you think about borrowing.

IS IT HAMPERING MY FUTURE?

If you buy more home than you can really afford right now, it could actually keep you from building a future. Especially if it means cutting back on retirement savings to afford that home. It could put future you in a real bind.

IS IT HELPING ME BUILD A FUTURE?

That home renovation project might sound awesome. But if it doesn't add to the value of your home, you may end up disappointing the future you.

Borrowing related to a vehicle

BUYING FOR A CAR

Cars are a necessity for many of us. We need a way to get to work, pick up the kids, and make those late night runs to get ice cream. These needs should help us make a practical decision on what vehicle to buy. But c'mon. Who are we kidding? We can get a little emotional about the car we want (as opposed to the car we need). Which can cause us to end up with ginormous car payments that we worry about paying each month.

What loan is right for me?

When you're ready to look for that next car, you'll probably need a loan to handle most of the cost. And that's okay – as long as you can make the payments on the loan, that'll be a good thing on your credit history. There are a few big things to consider when thinking about a car loan (and making the right decisions here can save you plenty of dough):

LENGTH OF LOAN

Most car loans generally run from 3 to 5 years, though some can stretch longer. Shoot for the shortest loan that you can afford. The quicker you pay off that car loan, the quicker you free up that monthly cash for other things.

DOWN PAYMENT

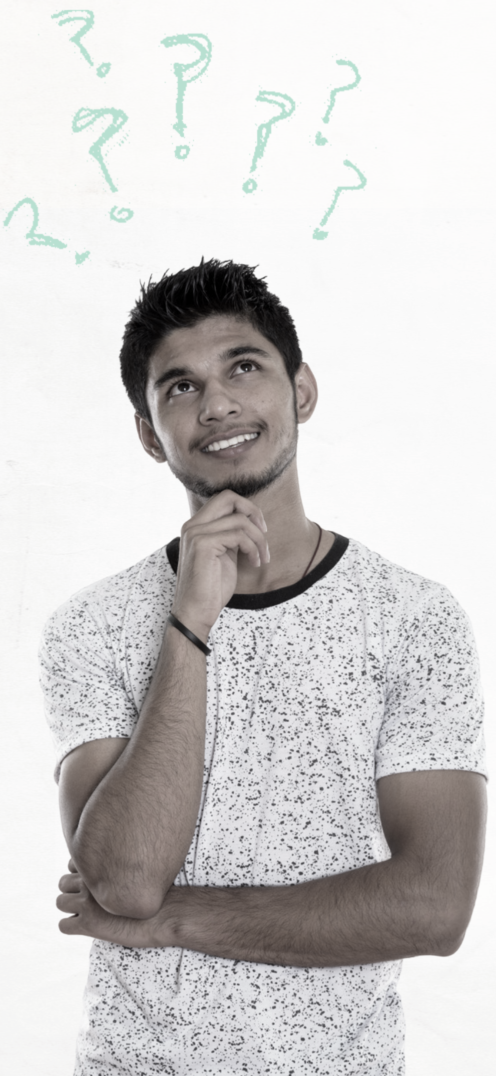
Experts recommended you put down 20% in cash when you buy that new car. Or more, if you can swing it. Putting down more in cash will reduce the overall amount of the loan and your monthly payment. But don't forget you'll need cash to pay taxes and title fees, as well.

NEW VS. USED CAR

A shiny, brand new car can be cool to drive around but it's estimated that it'll depreciate around 10% the day you drive it off the lot. And another 10% within the first year. For a $30,000 car, that's $6,000 in just a year. If you're looking for a way to stretch your budget, a used car might be the way to go.

HOW MUCH SHOULD I BORROW?

It's unfortunate, but there are some lenders that will push to the limits how much you can borrow. That's why you need to be the boss of your borrowing.



Here are two guidelines that can help:

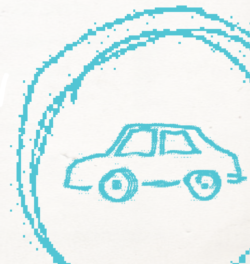
20% DOWN PAYMENT

Again, experts recommend putting down at least 20% of the car's cost in cash. It'll reduce the total loan amount, the amount of interest you pay and, ultimately, what you'll pay each month.

10% OF INCOME RULE

Experts also recommend not spending more than 10% of your monthly income on your car payment and insurance. After all, can you really enjoy that ridiculously expensive car if you're having to freak out about money each month?

LET'S TAKE A LOOK AT HOW



Awesome you

Borrowing like a boss can help you do some great stuff. You can make a confident decision about a car, a home, making home improvements, and more. And you can do it knowing that you're not having to sacrifice your sanity. Both today and tomorrow.

BETTER. TOGETHER.

We have a belief that when we help each other, we all prosper. That's why we create stuff like this ebook. And why we offer some great options to help you borrow like a boss. Check them out:

Home Loans

We have the options. Fixed rate or adjustable. 30 year or 15. FHA, VA, and more. We can help you find the loan that's right for you whether you're buying a home, building a home or refinancing.

Vehicle Loans

Whether it's a car or a truck, we can help you get the loan that's right for your situation.

Home Improvement Loans

Need to update that kitchen or add on a room? We can help you use the equity in your home to get things done.

EQUAL HOUSING LENDER

All loans subject to credit approval.

First Federal
BANK of KANSAS CITY

Got a question? Need a little help? Call or stop by any of our locations. Or visit us online at ffbkc.com.

To continue your journey to financial well-being, check out our other ebooks below.