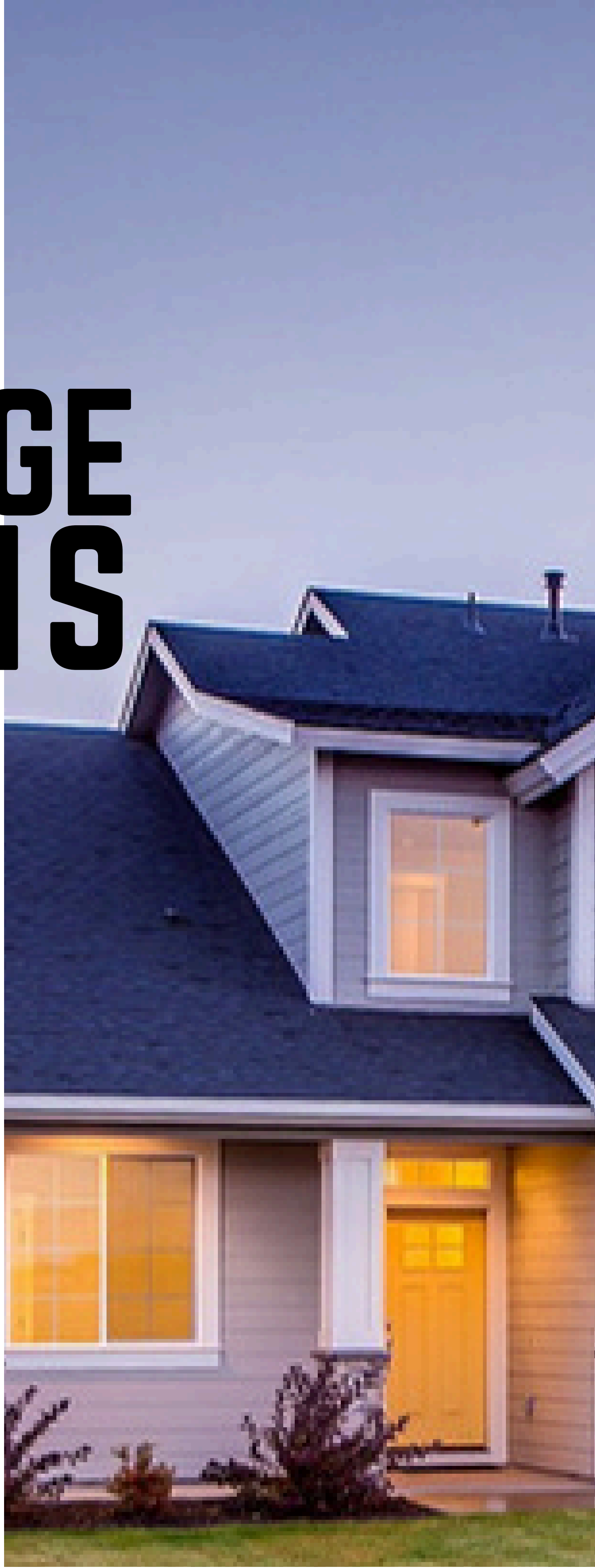
HOME MORTGAGE OPTIONS

UNDERSTANDING WHAT MORTGAGE LOAN TYPES ARE AVAILABLE



DANNY SUMMERVILLE
The Loan Officer

Hello!

A house is probably one of the biggest purchases you'll ever make. Choosing a mortgage isn't as simple as it sounds. That's because there are many types of mortgages available and they're made up of different components—from the interest rate to the length of the loan to the lender.

Getting a home loan doesn't have to be intimidating – especially when you understand the basics like options, features and costs of a home loan. I have developed this guide to help you understand and educate yourself on the different mortgage loan types you have available.

Please reach out if you have any questions, I am always here to help!

MORTGAGE TERMS

1 **CLOSING COSTS**
Also known as settlement costs, this is the amount of money you need to close the mortgage deal. Closing costs could include title insurance, escrow fees, lender charges, real estate commissions, transfer taxes and recording fees.

2 **ADJUSTABLE-RATE MORTGAGE (ARM)**
A mortgage with a variable interest rate, which adjusts monthly, biannually, or annually. Option-arms and hybrid mortgages are also considered adjustable-rate mortgages.

3 **FIRST-TIME HOME BUYER**
Typically defined as someone who has not owned another property at any time during the three years prior to the date of the purchase.

4 **POINTS**
When you buy points, you're paying more upfront in exchange for a lower interest rate, which means you pay less over time. Each point equals 1% of the mortgage.

5 **BRIDGE LOAN**
A short term loan taken out against one property to finance the purchase of a new property.

6 **DEBT-TO-INCOME RATIO**
The ratio of monthly liabilities and housing expenses divided by the monthly gross income of the borrower.

7 **REVERSE MORTGAGE**
A mortgage reserved for homeowners aged 62 or older who wish to tap their home equity without paying monthly mortgage payments.

What is a Conventional Loan?

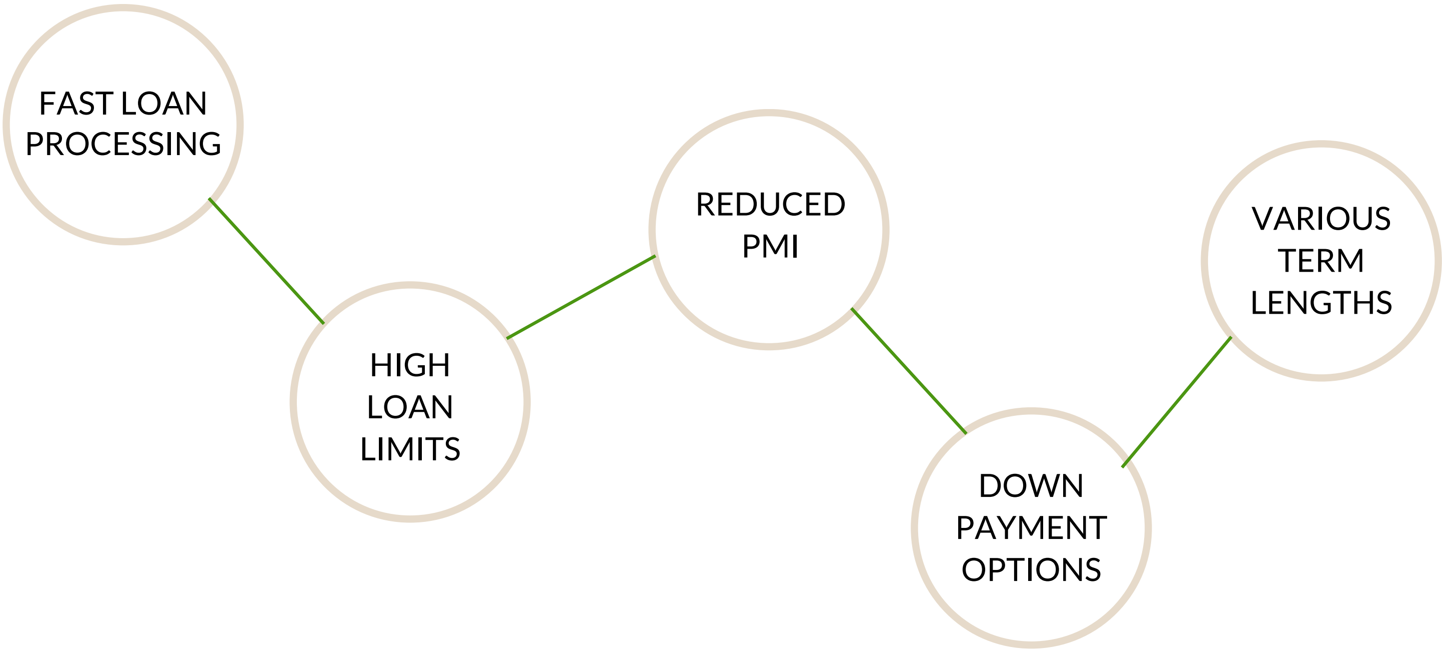
A conventional loan is a type of mortgage loan that is not insured or guaranteed by the government. Instead, the loan is backed by private lenders, and its insurance is usually paid by the borrower.

Though conventional loans offer buyers more flexibility, they're also riskier because they're not insured by the federal government. This also means it can be harder for you to qualify for a conventional loan.

Because of this additional risk to the lender, you're required to pay private mortgage insurance (PMI) on a conventional loan if you put less than 20% down.

You will also need a down payment to qualify for a conventional loan. You can put as little as 3% down when you are a first-time home buyer on approved credit. For repeat buyers on owner occupied homes the minimum down is 5%.

CONVENTIONAL LOAN BENEFITS



Conventional mortgage borrowers typically are higher credit score borrowers. They pay anywhere from 3%-20% down while purchasing a home.

If a borrower is looking to purchase a 2-4 unit property the borrower can put as little as 5% down as long as they are credit worthy and will live in at-least one of the units for a minimum of 12 months.

In addition, with a conventional loan, you can cancel your mortgage insurance when the principal loan balance drops to 80% of the home’s value.

WHAT IS A FHA LOAN?

Allowing down payments as low as 3.5% with a 580 FICO, FHA loans are helpful for buyers with limited savings or lower credit scores.

FHA is also a great option for first-time home buyers or borrowers looking to purchase 2-4 units. You can purchase owner occupied 2-4 unit homes with as little as 3.5% down.

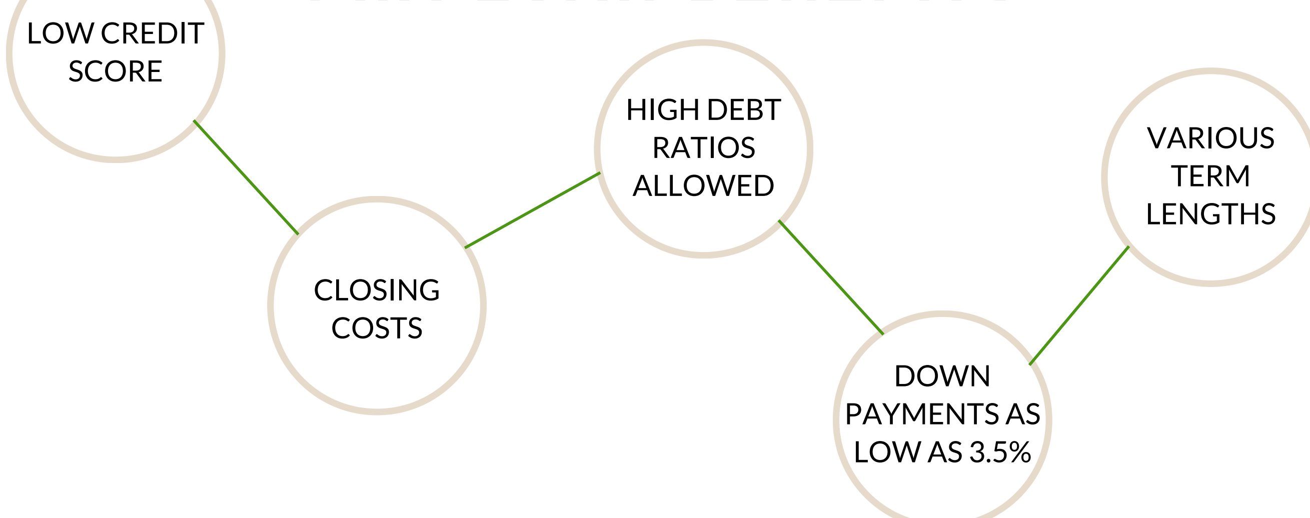
Not every home can be purchased with an FHA loan and if you are married or separated you are required to count your partners debt against you for qualifying if they are NOT on the home loan.

Credit score
The minimum credit score for an FHA loan is 500. If your credit score falls between 500 and 579, you can still qualify for an FHA loan, but you'll need to make a larger down payment.

Down payment funds
If you've got a credit score of 580 or higher, your FHA down payment can be as low as 3.5%. A credit score that's between 500 and 579 means you'll have to put down 10% of the purchase price. The good news is it doesn't all have to come from savings. You can use gift money for your FHA down payment, so long as the donor provides a letter with their contact information, their relationship to you, the amount of the gift and a statement that no repayment is expected.

Debt-to-income ratio (DTI)
The FHA requires a DTI of less than 57%, meaning that your total monthly debt payments can't be more than 57% of your pretax income. This includes debts that you aren't actively paying. For student loans in deferment, your FHA loan underwriter will include .5-1% of the loan's total as the monthly payment amount.

FHA LOAN BENEFITS



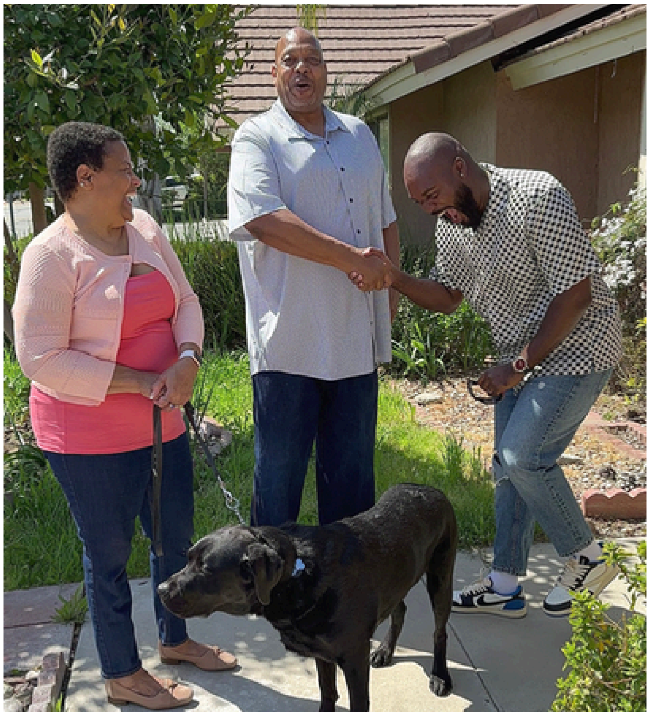
WHAT IS DOWN PAYMENT ASSISTANCE (DPA)?

Down payment assistance (DPA) is funding that's intended to help with the down payment and closing costs on a home purchase. The programs are run by entities as varied as nonprofits, state and local housing finance agencies, municipalities and lenders themselves, helping potential home buyers overcome one of the biggest barriers to homeownership.

DOWN PAYMENT ASSISTANCE (DPA) LOAN REQUIREMENTS

There are several types of Down Payment Assistance (DPA). Generally, you're eligible with these minimum requirements:

1. 600+ credit score
2. 2 Year work history
3. Debt-to-income ratio maximum of 45-55% (depending on program)
4. Owner-occupied borrower if you are purchasing a single family, condo, or 2-4 unit.



DOWN PAYMENT ASSISTANCE (DPA) LOAN BENEFITS

- DOWN PAYMENT COVERED
- CLOSING COST ASSISTANCE
- FLEXIBLE RATE OPTIONS
- FORGIVABLE OPTIONS
- 600+ CREDIT SCORE

While Down Payment Assistance (DPA) is a great option, it is important to remember most programs require the borrower to pay back the funds borrowed and often have some level of interest. Some programs are grants and some programs are forgivable after a certain time period.

Credit score requirements
The Down Payment Assistance (DPA) minimum credit score is 600.

DPA loan debt-to-income (DTI) ratio
The debt to income ratio various depending on the program. Some programs will cap the DTI to 45% and others based on better credit scores will allow us to go to 55%.

Down payment requirements
Under most circumstances, you don't need to make a down payment. However, if you want to put more than the minimum required down the additional amount would be your responsibility.

ADDITIONAL LOAN TYPES

REVERSE MORTGAGE

A reverse mortgage is a home loan that allows homeowners 62 and older to withdraw some of their home equity and convert it into cash. You don't have to pay taxes on the proceeds or make monthly mortgage payments.

JUMBO LOAN

A jumbo loan is a mortgage used to finance properties that are too expensive for a conventional conforming loan. The maximum amount for a conforming loan is determined by the Federal Housing Finance Agency (FHFA). Homes that exceed the local conforming loan limit require a jumbo loan.

HELOC

A home equity line of credit, or HELOC, is a second mortgage that gives you access to cash based on the value of your home. You can draw from a home equity line of credit and repay all or some of it monthly, somewhat like a credit card.

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Scan the QR code

For more info!

START YOUR JOURNEY TO HOMEOWNERSHIP!

Contact me today!

SERIOUSLY, CALL ME! IT'S FREE AND YOU HAVE NO OBLIGATION.

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