

HOMEBUYER EDUCATION PROGRAM



UNDERSTANDING THE MORTGAGE PROCESS

*Presented by:
Craig Tashjian Mortgage Advisor
781-719-4677*

WHO IS CRAIG TASHJIAN?

- *Craig has over 20 years of experience working for you and your best interests. He has helped hundreds of clients create wealth through homeownership.*
- *Personal contact throughout the process to ensure customer satisfaction. Private client service without the fees.*
- *A Trusted Advisor for life.*
 - ***Mortgage Market Guide e-news letter and Rate Alert Service***
 - *www.craigtashjian.com web site*
 - *Propreitory Total Cost Analysis Software*
 - *Periodic “Rate Watch Report” to guarantee the best rate in the future.*
 - *Move Up home buyer analysis / buying and selling at the same time*
 - *Debt restructuring analysis to improve cash flow and investment opportunities.*
 - *Automated Underwriting and Automated Processing Updates*
- *A network of financial professionals such as Financial Advisors, Life insurance agents, attorneys, CPA’s, and real estate agents ready to serve you.*

APPLICATION... BUILDING THE CREDIT FILE

- ◆ APPRAISAL
 - ◆ TO ESTABLISH VALUE OF THE PROPERTY.
- ◆ CREDIT REPORT
 - ◆ TO VERIFY A TIMELY PAYMENT HISTORY OF DEBT.
- ◆ VERIFICATION OF EMPLOYMENT
 - ◆ TO PROVIDE SUFFICIENT INCOME TO SUPPORT THE LOAN AMOUNT.
- ◆ VERIFICATION OF LOANS
 - ◆ TO VERIFY TIMELY PAYMENTS OF EXISTING LOANS.
- ◆ VERIFICATION OF SAVINGS
 - ◆ TO VERIFY SUFFICIENT FUNDS TO CLOSE.

APPLICATION... BUILDING THE CREDIT FILE

- ◆ THE BUYERS RESPONSIBILITY...
HAVE DOCUMENTATION READY.
- ◆ THE LENDER'S RESPONSIBILITY... GET YOUR LOAN
APPROVED PER THE UNDERWRITING GUIDELINES.
- ◆ THE LAWYER RESPONSIBILITY... PREPARE LEGAL
DOCUMENTS AND CLOSE THE LOAN ON TIME.

WHAT'S IN A MORTGAGE PAYMENT?

- ◆ PRINCIPAL- THE AMOUNT OF MONEY YOU BORROWED.
- ◆ INTEREST- THE COST OF BORROWING MONEY.
- ◆ PROPERTY TAXES- PAID TO CITY OR TOWN.
- ◆ HAZARD INSURANCE- PROPERTY INSURANCE THAT PROTECTS AGAINST LOSS DUE TO FIRE, THEFT, FLOOD OR OTHER HAZARDS.
- ◆ MORTGAGE INSURANCE- INSURANCE FOR THE MORTGAGE LENDER TO PROTECT AGAINST FINANCIAL LOSS DUE TO DELINQUENCY OR DEFAULT.
- ◆ YOUR MORTGAGE PAYMENT IS COMMONLY KNOWN AS **PITI**.

QUALIFYING FOR A MORTGAGE LOAN

THERE ARE SIX MAJOR FACTORS THAT A LENDER WILL CONSIDER WHEN REVIEWING YOUR LOAN APPLICATION:

- ◆ INCOME
- ◆ DEBTS
- ◆ CREDIT
- ◆ EMPLOYMENT
- ◆ PROPERTY
- ◆ DOWN PAYMENT, CLOSING COSTS, PRE-PAIDS, & CASH RESERVES

YOUR INCOME.....

- ◆ When you are qualifying for a loan, a lender will use your **gross income**. This means all the money you earn **before** taxes, including overtime, commissions, dividends, & bonuses- as long as you can show a 2-3 year history of these sources.
- ◆ Your monthly housing expense as a percentage of your monthly income is called the **housing expense ratio**. To qualify, a lender will allow you to spend up to 33% of your income on your housing payment (**PITI**).
- ◆ The lower the housing expense ratio, the stronger your application looks to the lender.
- ◆ Example: Gross Monthly Income = \$5,000 PITI = \$1,400 Housing expense ratio = 28% (\$1,400 divided by \$5,000)

YOUR DEBTS....

- ◆ In addition to your income, a lender will review your debts. Generally, debts include your PITI as well as monthly payments on auto loans, student loans, credit card debt, child support, alimony, lines of credit, etc.
- ◆ The percentage of debts to income is called the total **debt-to-income ratio**. To qualify, you are allowed to spend **38%** of your income on all your debts.
- ◆ Installment debt with less than 10 payments is not counted in your **debt-to-income ratio**.
- ◆ You can't pay down revolving debt to qualify.

YOUR EMPLOYMENT HISTORY....

- ◆ Have you been at the same job for at least two years?
- ◆ If not, have you been in the same line of work for at least two years?
- ◆ Have you received overtime or bonus income for at least two years & is it expected to continue?
- ◆ If you have a second job, have you been in the position for at least two years?
- ◆ If you receive commission income, has it been consistent for a two year period? (Income will be averaged)
- ◆ If you are self employed, can you supply two years tax returns and a year-to-date profit & loss statement? (If yes, income will be averaged for the two year period.)

YOUR CREDIT HISTORY....

- ◆ In addition to your ability to pay (as indicated by your debts and income, a lender will look at your willingness to pay.
- ◆ Your willingness will be judged by your credit report- a record of how well you have paid your loans and other debts in the past.
- ◆ A lender will generally like to see at least three to four trade lines on your credit report.
- ◆ Good credit is a very important factor in qualifying for a mortgage loan.

YOUR SAVINGS HISTORY....

- ◆ Your ability to demonstrate a history of savings is a key underwriting factor.
- ◆ A minimum down payment of 5% is required for most conforming mortgage programs.
- ◆ A minimum of 2-3 months bank and/or financial institution statements to document your down payment is required.
- ◆ Any large deposits into ones accounts must be explained and the source documented.
- ◆ Loans from 401k's are allowed but are counted as an additional monthly debt for some mortgage programs.
- ◆ Gifts from parents and/or family are allowed but must be documented.

CLOSING COSTS & PRE-PAIDS....

- ◆ Closing costs are fees paid at closing that were incurred by the lender for the settlement of your loan. The fees include some of the following items:
 - ◆ Origination fees (points)
 - ◆ Appraisal Fees
 - ◆ Credit Report Fees
 - ◆ Attorney Fees, title ins, plot plans, etc.
 - ◆ Pre-paid escrows (interest, tax, insurance)
- Your exact closing costs will depend on you loan amount, down payment, and closing date.

RESERVES....

- ◆ It is important to the lender that you have liquid assets remaining after your down payment, closing costs, & escrows are paid. These funds are commonly referred to as cash reserves.
- ◆ The lender would like to see that you have a minimum of one-two months PITI left in reserve after the loan has closed.
- ◆ 401k's, IRA's, Savings Bonds are some forms of acceptable cash reserves. A Certain percentage of the value is counted toward the reserve requirement in addition to under what conditions the funds can be withdrawn.

STEPS TO SUCCESSFUL HOMEOWNERSHIP

- *Improve credit*
 - *Keep credit current during the 12-24 months prior to buying*
 - *Pay down accounts near credit limit*
 - *Pay installment loans to <10 payments*
 - *Don't accept unsolicited credit offers*
 - *Establish 3-4 trade lines of credit*

IMPROVE COLLATERAL

- *Save, Save, Save*
 - *Plan your monthly savings*
 - *Consider 401k's ? IRA's?*
 - *Aim for a minimum of 5% down on 1 family, condo's, and 2 family homes*
 - *More equity = less PMI*
 - *Easier to qualify for higher loan amounts*
 - *More loan program options*

IMPROVE CAPACITY TO BORROW

- *Fixed Rate Mortgage vs. ARM*
 - *Qualify for a higher loan with fixed or long term arm (5,7 years) vs. teaser arm's (3mo's, 1-3 yr. Arms)*
- *Avoid 100% payment shock if possible*
- *Keep money in “reserve” after closing*
 - *401k's, IRA's, gifts*
- *Get pre-approved to determine strategy and loan options*
 - *Plan for your monthly payment*
 - *Create an income and expense budget*

DOCUMENTATION CHECKLIST

- ☑ PAY STUBS COVERING A MONTHS EARNINGS.
- ☑ W-2'S FOR THE LAST 2 YEARS.
- ☑ TAX RETURNS FOR THE LAST 2 YEARS IF COMMISSION, BONUS, SELF EMPLOYED OR RENTAL REAL ESTATE INCOME.
- ☑ 2-3 MONTHS OF BANK AND INVESTMENT STATEMENTS.
- ☑ INSTALLMENT LOAN STATEMENTS & CREDIT CARDS.
- ☑ IF BUYING A CONDO; PROVIDE A SET OF CONDO DOC'S
- ☑ PURCHASE & SALES AGREEMENT & LISTING SHEET.
- ☑ GIFT LETTER WITH SUPPORTING DOCUMENTATION

SPECIAL PROGRAMS

MULTI-FAMILIES

◆ 2 FAMILY QUALIFIER

- ◆ 5% DOWN TO \$500,000
- ◆ 3/1 & 5/1 ARM
- ◆ 70% OF RENT OFF PITI
- ◆ AFFORD 25% MORE OF A HOME
- ◆ HAVE SOMEONE PAY YOUR MORTGAGE
- ◆ 28% / 36% RATIOS
- ◆ 2 MONTH PITI RESERVE
- ◆ NO INCOME LIMITS
- ◆ 660 FICO SCORE

◆ 3 FAMILY QUALIFIER

- ◆ 10% DOWN TO \$600,000
- ◆ 3/1 & 5/1 ARM
- ◆ 50% OF RENT OFF PITI
- ◆ 28%/36% RATIOS
- ◆ 2 MONTH PITI RESERVE
- ◆ NO INCOME LIMITS
- ◆ 680 FICO SCORE

SPECIAL PROGRAMS

100% FINANCING

- ◆ **100% FINANCING**
 - ◆ FIXED RATE LOAN
 - ◆ 1 FAMILY & CONDO'S
 - ◆ RATIOS BY DO/DU
 - ◆ CONFORMING LOAN LIMITS
 - ◆ 700 FICO SCORE.
 - ◆ 2 MONTHS PITI RESERVES
 - ◆ NO INCOME LIMITS
 - ◆ 3% CONTRIBUTION BY BUYER -CAN BE GIFT
- ◆ **100% FINANCING**
 - ◆ 5/1 ARM PROGRAM
 - ◆ 1 UNIT TO \$500,000
 - ◆ 2 UNIT TO \$400,000
 - ◆ REQUIRES 5% DOWN BUT CAN BE ALL GIFT
 - ◆ 33/38 RATIOS
 - ◆ 680 FICO SCORE
 - ◆ 2 MONTHS PITI RESERVES FROM OWN FUNDS
 - ◆ NO INCOME LIMITS

SPECIAL PROGRAMS NO INCOME VERIFICATION

- ◆ NO INCOME VERIFICATION LOAN
- ◆ NO ASSET VERIFICATION
 - ◆ 1 & 2 FAMILY
 - ◆ 5% TO \$450,000
 - ◆ 681 FICO SCORE
 - ◆ 10% TO \$500,000
 - ◆ 660 FICO SCORE
 - ◆ FNMA/FHLMC CONDO'S
 - ◆ 30 YR. JUMBO; 5/1 ARM
- ◆ CONFORMING NO INCOME VERIFICATION
- ◆ NO ASSET VERIFICATION
- ◆ 1-4 FAMILY HOMES
- ◆ FNMA/FHLMC CONDO'S
- ◆ 10% DOWN 1 & 2 FAMILY
 - ◆ 680 FICO SCORE
- ◆ 20% DOWN 3 & 4 FAMILY
 - ◆ 700 FICO SCORE
- ◆ CONFORMING LOAN LIMITS



SPECIAL PROGRAMS 3% DOWN CONFORMING FIXED



- ◆ *3% DOWN UP TO \$300,000*
- ◆ *FIXED RATE PRODUCT*
- ◆ *RATES SLIGHTLY HIGHER*
- ◆ *GIFTS ALLOWED INCLUDING COSTS*
- ◆ *1 FAMILY AND FNMA CONDO'S ONLY*
- ◆ *ONE 38% TO 40% RATIO*
- ◆ *LP/DU APPROVAL*
- ◆ *RESERVES DETERMINED BY LP/DU.*