MUST-KNOW MORTGAGE TERMS FOR REAL STATE AGENTS

Loan Qualification & Approval Terms Lender's initial assessment based on self-Qualification reported financial info; no verification needed. **Pre-Approval** Stronger financial review where a lender verifies credit, income, and assets to determine loan eligibility. Formal approval from the lender, stating the Loan Commitment buyer meets all conditions for the mortgage. **Clear to Close** Final lender approval indicating all loan (CTC) conditions are met and closing can proceed.

	Loan Types & Programs
Conventional Loan	Mortgage that is not backed by the government (e.g., Fannie Mae or Freddie Mac). Requires as little as 3% down .
FHA Loan	Government-backed loan with low down payment options (3.5%), ideal for first-time buyers.
VA Loan	Available to eligible military service members and veterans with zero down payment and no PMI.
USDA Loan	Zero-down loan for eligible rural and suburban buyers (income restrictions apply).
Jumbo Loan	Loan that exceeds conforming loan limits (typically \$766,550+ in most areas for 2024).
Non-QM Loan (Non-Qualified Mortgage)	Flexible financing option for buyers who don't meet standard guidelines (e.g., self-employed, high DTI, bank statement loans).

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Bonus: Quick Tips for Real **Estate** Agents

A Pre-Approval is Key!

Always ensure your buyers are pre-approved before house hunting.

Know the Loan Limits

Conventional, FHA, and VA loan limits change yearly and vary by location.

Key Loan Terms & Costs

Debt-to-Percentage of a borrower's gross monthly **Income Ratio** income that goes toward debt payments. (DTI) Lower DTI = better loan terms. Loan-to-Value Percentage of the home's price being financed. **Higher LTV = higher risk** for lenders. Ratio (LTV)

Interest Rate vs. APR

Interest Rate The cost of borrowing money, expressed as a percentage. Annual Includes the interest rate + lender fees + Percentage closing costs, providing a more accurate Rate (APR) cost of the loan. **Origination Fee** Lender's processing fee for underwriting

the loan, typically 0.5% - 1% of the loan

Discount Fees paid upfront to **buy down the interest Points** rate (1 point = 1% of loan amount).

Down Payments & Mortgage Insurance

Private Required for conventional loans with less Mortgage than 20% down. Can be removed once 20% Insurance (PMI) equity is reached. Required for FHA loans, stays for the life of Mortgage Insurance the loan unless a 10%+ down payment is Premium (MIP)

Down Payment State and local programs that help first-time Assistance (DPA) buyers with down payment and closing costs.

Seller Concessions Can Help Buyers

If a buyer is short on cash, seller-paid closing costs can keep deals alive.

PMI Can Be Removed

Agents should inform buyers that PMI on conventional loans can be canceled at 20% equity.



Nate Pryzbek Sr. Loan Officer

Mobile: 860.302.0645 nate@anchorpointmtg.com anchorpointmtg.com 31 Liberty Street, Ste 209

Scan to apply for financing





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MUST-KNOW MORTGAGE TERMS FOR REAL STATE AGENTS

Mortgage Payments & Escrow			
Principal, Interest, Taxes, Insurance (PITI) Total monthly mortgage payment a borrower makes, including:			
Principal	The loan balance being paid down.		
Interest	The lender's charge for borrowing money.		
Taxes	Property taxes paid through escrow.		
Insurance	Homeowners insurance (and PMI/MIP, if required).		
Escrow Account	A lender-managed account where taxes & homeowners insurance are collected and paid.		
Reserves	Additional savings required by the lender, usually 2-6 months of mortgage payments		

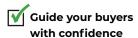
after closing.

Rate Structures & Loan Features	
Fixed-Rate Mortgage	The interest rate stays the same for the life of the loan (e.g., 15, 20, 30 years).
Adjustable- Rate Mortgage (ARM)	The rate is fixed for an initial period , then adjusts periodically based on market conditions (e.g., a 5/1 ARM is fixed for 5 years, then adjusts yearly).
Rate Buy-Down (Temporary vs. Permanent)	
Temporary Buy-Down	Lowers the rate for the first 1-3 years (e.g., a 2-1 buy-down reduces the rate by 2% in year 1 1% in year 2).
Permanent Buy-Down	Borrower pays upfront discount points to lower the interest rate for entire loan term .

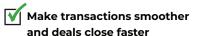
Closing Process & Fees		
Closing Costs	Fees paid at closing, typically 2-5% of the loan amount. Includes lender fees, title fees, prepaid taxes, and insurance.	
Cash-to-Close	Total amount a borrower must bring to closing , including down payment + closing costs .	
Seller Concessions	When a seller covers a portion of the buyer's closing costs (limits vary by loan type).	
Title Insurance	Protects against ownership disputes or title defects. Required by lenders.	

Post-Closing & Other Loan Terms	
Amortization	The process of paying off a loan over time through scheduled payments. Early payments go mostly toward interest , later payments go mostly toward principal .
	Loan Servicer vs. Lender
Lender	The institution that originates the loan .
Servicer	The company that manages loan payments, escrow, and customer service (sometimes different from the lender).
Refinancing	Replacing an existing mortgage with a new one to get a lower rate , change loan terms , or cash out equity .

FINAL THOUGHTS Understanding these mortgage terms will help you:









Nate Pryzbek
Sr. Loan Officer
NMLS 1663773
Mobile: 860.302.0645
nate@anchorpointmtg.com
anchorpointmtg.com
31 Liberty Street, Ste 209
Southington, CT 06489







