Homebuying Financials

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MORTAGES

The two main loan types are **FHA** and **Conventional.**

FHA: Short for Federal Housing Administration. These lenders will take on riskier borrowers, i.e. lower credit, higher debt, lower income, with as little as 3.5% down. They are able to take riskier borrowers because the loans are backed by the government. Other qualifiers for this loan include having verifiable income and mortgage insurance for the life of the loan. For a primary residence only.

Conventional: This is the most common type of loan. It is not government backed. Buyers can put down as little as 3%. A downpayment of less than 20% will result in mortgage insurance (to secure the loan), BUT, it can be removed once the loan-to-value reaches 80%. It can be used to purchase properties that aren't considered your primary, such as vacation homes or investment properties.

WHAT IS PITI?

PITI stands for Principle, Interest, Taxes, & Insurance

You may hear your lender or your agent (me!) say this and wonder what it is. Your PITI is the monthly total home payment you will be expected to pay, with everything included. The only thing not taken into account would be an HOA, which is in addition to the PITI.

Think about what kind of monthly payment you can handle, this will largely dictate what your home budget will be. You may get pre-approved for more, but it's better to stick within your comfort range.

A good way to visualize the numbers is using an online mortgage calculator to play around. Myself and the lender can also assist in keeping you within your monthly budget.

QUALIFYING FOR A LOAN

When qualifying for a loan, or getting pre-approved, you will need:

- W-2s with two years of continued work experience in the same field. If you change jobs, you may have to wait until you have significant work history. Self-employment programs that use your tax returns along with bank statements are available.
- Bank statements including statements of any assets.
- Credit. Each loan program has different acceptable credit parameters. This will affect your rate.

Other items taken into account:

- Your debt-to-income ratio. This is all your monthly debts (car payments, credit cards, personal loans, etc) divided by your gross monthly income. It helps determine what kind of new mortgage payment you can handle.The lower your DTI, the more you qualify for.
- Many loans will accept gift funds from family members for loan costs (if needed).
- Non-occupying borrows can be used to help a buyer qualify for more in some instances.