Investment Properties

The financing to help grow your portfolio is here.

Whether you're just starting out or already a seasoned pro, KeyFactor&Co. has preferred lenders with flexible options to help you get the financing you need for your next investment property. These preferred lenders offer proprietary programs to help certain borrowers who may be in more unique financial situations, including those who are self-employed or have a history of foreclosure or bankruptcy, secure a mortgage for an investment property.

For experienced investors, our Debt Service Coverage Ratio (DSCR) loans require no personal income documentation and are a great alternative to hard money loans. Designed for business purposes only, you can qualify for financing with the income from your rental property, so personal tax returns and W-2s aren't necessary.

Working with a larger budget? We can help with that, too. We have programs that support loan sizes up to $2.5 million.

If you're ready to get started, contact an KeyFactor&Co. loan specialist to learn about today's investment property interest rates or read more below about our various programs.

DSCR Programs

- FICO® Scores as low as 640 accepted
- Personal tax returns and W-2s not required; qualify based on property's rental income
- Typically lower rates and fees than hard money loans
- Up to 30 financed properties allowed – many programs limit to six
- 30-year loan option – hard money loans average 10 years or less

- Loans for business purposes only – may not be used for personal, family, or household purposes

Frequently asked questions

Which type of loan should I use when buying an investment property?

Whether that's an Airbnb, short-term, or long-term rental, you'll need to look at either a Conventional loan or an investor-focused financing method for your purchase. These include:

- Conventional loans
- Jumbo loans
- Home equity loans or HELOCs
- Investment property loans – our Signature loans are a great option for new and experienced investors alike. You can even finance multiple properties without tax returns, W-2s, or other financial documents.
- Hard money loans – these require a big down payment but typically have much lower qualifying standards than other loans. They come from private lenders and are usually only short-term.
- Peer-to-peer (P2P) lending – P2P lending platforms can also help you finance your purchase by connecting you to cash-flush investors. Popular choices include Lending Club, Upstart, and Fundrise.

These are the financing options you can't use:

- VA and USDA loans
- FHA loans (unless you plan to live in a unit)

WHAT IS A SECOND MORTGAGE WITH INTEREST-ONLY PAYMENTS AND BALLOON PAYMENTS?

A second mortgage is a lien taken out on a property that already has another mortgage attached to it. In the case that the loan goes into default, the first mortgage will be paid off first before the second mortgage. Therefore, a second mortgage is typically riskier for lenders and will often come with a higher interest rate. Interest-only payments means that for a period, the payments you make on the loan go 100% towards the interest that is accruing on the mortgage. And a balloon payment means that, at the end of the term of the loan, the balance of the mortgage is due all at once.

What type of tax deductions can homeowners take advantage of?

Homeowners enjoy a slew of tax write-offs that other Americans don't have access to. You can deduct the interest you paid on your mortgage, your property taxes, and much more. See this list for a full breakdown of potential write-offs.

The exact deductions you'll be eligible for depend on which activities you took part in last year. Please be sure to speak with a tax professional before making any decisions.

If you purchased your home last year, then you'll want to check your closing statement. If you paid for points (listed under Section A of the loan costs section), you may be able to write the costs of these off. If you itemize your returns, you'll also be eligible to deduct your private mortgage insurance costs and the interest you paid on your mortgage — both at closing and across the year — along with your property taxes, too.

You'll be exempt from paying capital gains taxes on your home sale if you sold a home, if you made less than $250,000 in profits on the transaction ($500,000 if you file jointly with your spouse) and you lived in the house at least two years. This could save you a significant amount in taxes.

Additionally, you'll also be eligible for deductions for your interest, mortgage insurance, and property taxes before you sold the house — and on your new home, if you bought another after.

If you refinanced your mortgage, it's treated much like purchasing a new home. If you paid for points or prepaid interest at closing, these can be deducted from your annual tax returns. You also may be able to write off things like mortgage insurance, property taxes, and interest paid across the year.

If you neither bought, sold, or refinanced last year but instead, stayed in the same home as the year prior, you're still eligible for some write-offs.

Homeownership comes with some serious benefits. It can protect you from inflation, help you build wealth, and come tax season it can even qualify you for valuable deductions and credits.

If you're new to homeownership, or you just sold your home or refinanced this year, you might qualify for even more of those tax deductions, too. These can lower your tax burden, offset the costs of homeownership, and, yes, even increase your refund in many cases.

Want to make sure you're taking full advantage of the tax perks you're eligible for? Here are the potential homeowner tax deductions you'll want to consider.

Important to note: *We're not tax pros nor financial advisors. Always run your tax plan by a licensed tax professional before filing your returns (they might even have some more deductions up their sleeves!).*

1. Mortgage interest deductions.

In most cases, you can deduct any interest you pay on your mortgage loan — up to $750,000 in total debt or $375,000 if you're married and filing your returns separately. You can even write off interest paid on second home mortgages if your loan totals are below this threshold.

If your loan was opened earlier than Dec. 15, 2017, you can deduct interest on up to $1 million.

2. Property taxes.

Most homeowners can deduct their entire property tax bill.

The catch?

You had to itemize your returns, and your taxes — as well as any other state and local tax (SALT) deductions you're taking — can't exceed $10,000. This is less than the standard deduction ($12,950 for single filers, $19,400 for heads of households, and $25,900 for couples filing jointly), so it may or may not work in your favor to take this one.

3. Home office tax deductions.

If you work from home or even just do some of the time, you may be able to write off some of your **home office** costs — including things like the electricity and WiFi costs, a portion of your mortgage payment and home insurance, depreciation, and more. The caveat is you must use the space as your principal place of business or "substantially and regularly" if you also work outside the home.

4. Home equity loan interest deduction.

If you took out a home equity loan or HELOC, the interest you paid on that loan may be deductible — but only if you used the funds to substantially improve the value of your property, meaning make repairs, upgrade it, or renovate it, etc. Just keep in mind: you can only deduct interest on up to $750,000 in debt — and that includes your primary mortgage, too.

5. Energy-efficient upgrades.

Want to add some solar panels, a wind turbine, or a solar water heater? You can offset some of the costs with a residential energy-efficient property tax credit. The exact credit depends on when you install the system, but it ranges anywhere from 22% to 30% and gets applied directly to your annual tax bill (meaning it lowers how much you owe — not your taxable income.)

6. Mortgage credit certificates.

If you meet certain income requirements, you might also qualify for a mortgage credit certificate. These offer an outright, dollar-for-dollar credit toward your tax liability based on the mortgage interest you pay annually — and for the entirety of your loan term.

So, for example, if you paid $2,000 in mortgage interest and qualify for an MCC, you'd be able to reduce your annual tax bill by $2,000. You'll need to check with your state's housing agency to learn more about MCCs in your area, as credits vary widely by location.

7. Discount points.

If you just bought a home and you paid discount points to lower the interest rate on your loan, then you've got another deductible in your pocket.

Since points are basically pre-paid interest, they're considered write-offs just like mortgage interest is. Simply deduct the full total you spent on mortgage points at closing, and reduce your tax liability accordingly.

In the future, if you decide to refinance your mortgage loan, you can also deduct points for that year as well. (Keep in mind, this also needs to fall under the combined $750,000 limit, along with other interest write-offs).

8. Tax deductions for capital gains.

If you sold a home before buying your new one, you might be able to write off your profits, too. As long as you made $250,000 or less on your home sale ($500,000 if filing jointly with your spouse), then your capital gains will not count as income or be charged a federal income tax.

An important caveat here: The home must have been your primary residence at least two out of the last five years prior to the sale.

9. Private mortgage insurance tax deduction.

Are you paying for **PMI or MIP** as part of your mortgage loan? You can write off these costs, too.

If you make $100,000 or less, you can deduct the entire year's mortgage insurance premiums. If you make between $100,000 and $109,000, you can write off 10% – 90% of the premiums. (Taxpayers making over $109,000 do not qualify.)

10. First-time homebuyer credit?

A tax credit just for first-time homebuyers was introduced in Congress in early 2021. Though it has yet to be approved by either chamber, the credit would offer first-time buyers an advanceable $15,000 they can put toward their down payment. For those eligible, it could mean serious savings upfront and over the course of their mortgage loan.

Get guidance from a tax professional

Not all homeowners will be eligible for all the above — and in some cases, there may be other potential tax perks you qualify for. Make sure you talk to a tax professional or financial advisor for personalized guidance regarding your returns.

Friendly reminder: *We're not tax pros nor financial advisors. Always run your tax plan by a licensed tax professional before filing your returns*!

HOW MUCH TAXES CAN I WRITE OFF?

Homeowners are allowed to write off their property taxes, but there are some caveats to doing so. First, you must itemize your returns. This means foregoing the standard $12,400 deduction ($24,800 for a couple filing jointly), and instead writing off many smaller deductions in its place. If you do opt for this route, deductions for state and local taxes (property taxes included) are capped at $10,000. Be sure to speak with a tax professional before making any decisions.

CAN I WRITE OFF INTEREST ON SECOND HOMES?

You can deduct interest on up to $750,000 in mortgage debt. This can be spread across both a primary residence and a second home. So, if your first home has a mortgage of $200,000 and your second home a mortgage of $500,000 ($700,000 total), you can write off the full amount of your interest paid across the year.

The IRS does not allow you to write off interest on third homes or beyond. If you own an investment property, you'll likely deduct its interest and other costs as business expenses. Be sure to speak with a tax professional before making any decisions.

CAN I RENT OUT MY INVESTMENT PROPERTY PART-TIME?

Yes, if you're thinking of buying a second home to visit occasionally but also rent the rest of the time, then you've got a lot of options to pick from. The one catch? You'll need to let your lender know that you intend to rent out the property — even if it's only part of the time. Not all lenders will allow this, and they might also have different qualifying standards for what they deem “investors”.

You can collect rent on a second home if you occupy the property for some portion of the year. You cannot have a timeshare agreement and you cannot be subject to agreements that give a management firm control over the occupancy of the property. You can use VRBO or Airbnb because you, as the owner, are determining the dates it will be available for rent versus a company telling you when you can use it.

Additionally, any income generated from renting the property can’t be used for loan qualification. As soon as you do that, it gets treated as an investment property.

Typically, here are the financing options you’ll be able to use:

- Conventional loans
- Jumbo loans
- Home equity loans or HELOCs
- 401(k) loans
- Investment property loans – These are mortgages designed specifically for investment properties and can vary from lender to lender.

IS AN INVESTMENT PROPERTY A GOOD INVESTMENT?

f you want to choose the best vacation home for your needs and budget, follow these steps:

Start with the location – Do your research and narrow down the right location. If you’re going to use the home primarily for your own enjoyment, make sure it’s somewhere you can travel easily and often. A cabin for skiing in the mountains might be nice, but how often will you be able to visit? Make sure it's an easily accessible location. If you’re considering putting the property up for rent, also consider tourist demand. Will others want to travel there? How much would they be willing to pay for it?

Pay attention to maintenance and repairs – Make sure you factor the costs of maintaining and caring for the house into your calculations. Remember that homes situated on the beach or near saltwater are going to have lots of wear and tear — and they may even need added protection from floods and hurricanes. Be sure to consider these as you evaluate properties to purchase.

Leave wiggle room for extras – Since this is a second home, you'll likely need to fully furnish the property and decorate it, too, so set aside a separate budget for after-purchase expenses. This is especially important if you plan to rent out the property, as you'll want the place to be comfortable and inviting to potential guests. You may also want to budget for toiletries and cleaning costs if renting is on your radar.

LEARN ABOUT THE CASH OUT REFINANCE

Cash out today for a better tomorrow.

With a cash-out refinance, you use the equity you've built up in your home to get cash for other expenses. Tapping into your home's equity is an ideal way to get extra money, and the beauty of a cash-out refi is you can use the cash for anything you choose. You could pay off debt from high-interest credit cards or student loans, make home improvements, or even start a new business. The only limitation is your imagination.

It's important to note that when you refinance your existing mortgage to get cash out, you'll be subject to most of the same underwriting criteria as when you purchased your home. You may need to prove that you have a debt-to-income ratio that qualifies, or that you can afford to make higher monthly payments than you have now. In addition, you'll likely need to provide supporting documentation that includes proof of income via W2s, 1099s, retirement statements, bank statements, and/or tax returns.

Read on to discover what a cash-out refinance is all about, and how to get started with the application process through KeyFactor&Co.

What are the benefits of a cash-out refinance?

The biggest advantage to a cash-out refinance is the obvious one — cash! Depending on how much equity you've built up in your home, you may be able to receive a significant amount of cash back that you can use for a variety of purposes.

For example, using funds from a cash-out refinance to pay off high-interest loans and credit accounts can help you lower your monthly payments now, and could have a major impact in the long run by decreasing the amount of interest you pay over time. You could also use the cash to pay for home repairs or renovations, which could increase the value of your home and give you even more equity in the property.

What are the costs of a cash-out refinance?

Much like if you're simply refinancing your mortgage for a lower interest rate, there will be closing costs associated with a cash-out refinance, which on average will range between 3%-6% of the total mortgage amount. It's important to carefully consider these closing costs when making a final decision about whether a cash-out refinance makes financial sense for you, especially if you're:

Planning on moving in the next few years since you may not be in the house long enough to recoup closing costs.

Paying off other debt since your potential savings on interest payments might not be worth the cost.

Should you refinance?

Wondering if refinancing your mortgage could save you money? If today's interest rate is lower than the rate on your current mortgage, there's a good chance it could. Our Refinance Calculator can help you determine how much you could save and if refinancing makes financial sense.

Plug your current mortgage information into this Refinance Calculator. You can compare the total interest paid over the life of your loan — using your current interest rate versus a new lower interest rate. The calculator will also show your monthly savings and how long it will take to break even. Try out different numbers and scenarios to learn how a refinance might benefit you.

How do I know if a cash-out refinance is right for me?

If you're using the money to pay off other debts, and the total of all your monthly payments will be reduced, then it could make sense to do a cash-out refinance. It's also smart to take advantage of a cash-out refi if you need money for large expenses such as college tuition, because mortgage rates are often lower than rates you could get on personal or student loans. In addition, mortgage interest could be tax deductible in some cases (but you'd need to check with a tax professional regarding your specific situation).

An KeyFactor&Co. mortgage specialist can help find the loan that's right for you and guide you through the entire process step-by-step. And because we do work with preferred lenders that do all their underwriting and processing in-house, we're able to help get you the cash you need in days, not months.

Call KeyFactor&Co today at **240.351.1487** to speak with a knowledgeable loan officers and learn more about your refinance options. Or, visit **KeyFactor&Co** online, and one of our specialists will contact you as soon as possible.

FREQUENTLY ASKED QUESTIONS:

What is the difference between a cash-out refinance and a Home Equity Line of Credit (HELOC)

A HELOC and a cash-out refinance both use the equity in your home to get you the cash you need for other expenses. HELOCs work somewhat like a credit card. There is a draw period where you use what you need when you need it. During the draw period, you are typically making interest-only payments, and the interest rate is usually adjustable.

With a cash-out refinance, you replace your current mortgage with a new mortgage to help with expenses such as tackling home improvements or paying off other debt. With a fixed-rate cash-out refinance, you know exactly what your rate will be and what you will pay each month.

The best option for you depends on your financial need and situation. Our preferred lender offers HELOCs.

What Can I Do with the Money From A Cash-Out Refinance?

When you use the equity in your home to get money via a cash-out refinance, you can use that money for anything you choose. You can pay off your credit cards, eliminate student loans, make home improvements, start a new business, or even put a down payment on an investment property.

What Is the Typical Refinance Process?

Refinancing is usually a much simpler process than buying a home. Typical steps in the process include:

1. Research the value of your home and check your credit scores.
2. Gather all needed documents and apply for the refinance.
3. After your loan is approved, the underwriting process begins—the time for careful review.
4. Sign your papers and close your loan.

When Is the Right Time To Refinance?

There are many great reasons for refinancing, including:

- You'd like to lower your interest rate or monthly mortgage payments
- You need cash, fast
- You'd like to consolidate debt
- You're looking to shorten your payback term
- You want to switch from a variable-rate to a fixed-rate mortgage to create regular, predictable payments
- You'd like to get a variable-rate mortgage with better terms

What Is a Home Equity Line of Credit (HELOC)?

A Home Equity Line of Credit (HELOC) is a line of credit that allows you to borrow against your home equity.

HELOCs usually have a variable interest rate that changes over time. For most HELOCs you can borrow money for a specified time. During this time, known as the "draw period," you can make multiple withdrawals and may make monthly payments. When the draw period ends, you may no longer be able to borrow money from your line of credit, and you may make monthly payments to repay your outstanding principal and interest over a period of time. During this time, known as the “repayment period,” you may not be able to borrow additional amounts.

REFINANCE

BILL CONSOLIDATION

Reduce debt and stress.

Take control of your finances and consolidate your bills with a preferred lender recommended by KeyFactor&Co. A debt consolidation refinance uses the equity in your home to pay off high-interest credit cards, car loans, medical bills, and other debt. If you qualify, we can help you roll everything up into one convenient monthly payment.

When you refinance your mortgage, you essentially pay off your old mortgage with a new one that has different terms. Terms of a mortgage include the interest rate, number of payments, and loan balance. A bill consolidation mortgage allows you to borrow more than you owe on your current mortgage to consolidate other debt into your home loan.

If you are looking to simplify your debt obligations from credit cards and other loans, a debt consolidation mortgage may be the right step to get your finances back on track. We’re here to help you find the right solution for your needs. Keep reading to learn more or get in touch with a KeyFactor&Co. mortgage specialist today.

Potential Benefits:

Lower interest rates
Mortgages typically offer much lower interest rates than credit cards and other loans, which could be 15%-18% on average. Lower

monthly payments can free up money to use toward paying down your debt.

Potential tax benefits
When it comes to taxes, not all debt is equal. The interest that you pay on your mortgage could be tax deductible, while the interest on credit cards and many other types of loans typically isn't.

KeyFactor&Co. cannot provide tax advice, so if you have any questions about your specific situation, you should consult with a tax professional.

Single monthly payments
Consolidating your debt from credit cards and other loans can help convert multiple monthly bills into one. This may make it easier to manage your finances and see where your money is going each month, as you only need to worry about a single payment due date.

Things To Consider

Closing costs and additional fees
Refinancing your mortgage will come with fees and closing costs, just as your initial mortgage did. At a minimum, be sure that you plan to live in your home long enough to recoup the costs.

Unsecured vs. secured debt
Be aware that refinancing to consolidate unsecured debt, such as credit card bills, comes with a greater risk. That's because you're using your home as security that you'll pay off your mortgage.

Home appraisal
When you refinance with a debt consolidation mortgage, your home will need to be professionally appraised to let the lender know how much your home is worth. Your home's appraised value is dependent on many factors, including the local real estate

market and any improvements or renovations you may have done since you moved in.

Things To Consider

Should you refinance?

Wondering if refinancing your mortgage could save you money? If today’s interest rate is lower than the rate on your current mortgage, there’s a good chance it could. A Refinance Calculator can help you determine how much you will save and if refinancing is worth it in the long run.

Plug your current mortgage information into our Refinance Calculator. You can compare the total interest paid over the life of your loan — using your current interest rate versus a new lower interest rate. The calculator also shows your monthly savings and how long it will take to break even. Try out different numbers and scenarios to learn how a refinance might benefit you.

Where Do I Start?

It can feel so easy to accrue debt — and so hard to get rid of it. Often, making just one extra payment or paying more than the minimum due each month can greatly reduce the time it will take to get out of debt. Look at how increasing your monthly payments can accelerate the payoff.

If you think you would benefit from consolidating your bills through a mortgage refinance, KeyFactor&Co. is here to help. Our mortgage specialists will guide you through every step of the refinancing and mortgage application process — from identifying what type of mortgage is right for you to understand how your credit score can affect your interest rate.

KeyFactor&Co. has helped people refinance existing mortgages and consolidate high-interest debt.

Lower your monthly payment with a rate-and-term refinance.

When it comes to paying monthly bills, we would all prefer lower payments. If you qualify to refinance into a loan with a lower rate or better terms, you may be able to reduce your payments and/or pay down your principal faster. Depending on your current loan, you could save hundreds of dollars each month — and maybe thousands over the remainder of your mortgage.

When is the best time to refinance? And should you? The best time to refinance your mortgage is when interest rates are low. If today's historically low rates are lower than the rate on your current mortgage, there's a good chance that refinancing will lead to valuable savings. And if you currently have an adjustable rate, now might be a great time to switch to a predictable fixed rate — and you'll never have to worry about your mortgage payments increasing again.

What can I expect during the refinance process?

Several factors are taken into consideration when you refinance your home, including your credit score, your debt-to-income ratio, and your loan-to-value (LTV) ratio. Your KeyFactor&Co. specialist will explain the significance of each and help you find the mortgage lender that's right for you based on your current situation. Imagine lowering your interest rate and saving tens of thousands of dollars over the life of the loan! It might be possible.

With our streamlined process, you can get a new mortgage in three simple steps: apply, get approved, close. Your dedicated KeyFactor&Co. specialist will let you know what documents are needed, and connect you with a lender to have your home appraised, and walk you through the entire process from application to closing.

When is the right time to refinance?

There are many great reasons for refinancing, including:

- You'd like to lower your interest rate or monthly mortgage payments
- You need cash, fast
- You'd like to consolidate debt
- You're looking to shorten your payback term
- You want to switch from a variable-rate to a fixed-rate mortgage to create regular, predictable payments
- You'd like to get a variable-rate mortgage with better terms

How are rates calculated?

Rates are complicated and can be tricky to understand.
Simply CALL US and we'll help you compare your rate quotes. We're happy to take you through estimates line by line — ensuring you know what every item means to you and your bottom line. Comparing mortgage rates can be confusing because there are so many factors — from taxes to title insurance — that contribute to calculating your mortgage payment and closing costs. No one is expected to understand it all from the beginning, but we'll make sure it all makes perfect sense to you in the end.

How do interest rates affect my mortgage?

High interest rates bring higher monthly payments and increase the overall interest you'll pay over the life of your loan. A low interest rate saves you money in both the short and long term. Sometimes a bigger down payment can help you get a lower interest rate. Keep in mind that the money you pay in interest doesn't ever go toward paying off the principal, so it's smart to get the lowest interest rate possible and then pay off your house as quickly as you can.

What is the loan-to-value ratio? Why do I need that?

Loan-to-value (LTV) tells you how much equity you have in your home relative to how much you owe on it and what the house is worth. LTV is important to know when refinancing because it can affect your interest rate and whether you'll need Private Mortgage Insurance (PMI).

What is PMI and do I need it?

Private mortgage insurance (PMI) is an insurance policy that protects your lender in case you default on your mortgage. You may be required to purchase it, especially if you plan to make a down payment of less than 20% of your home's purchase price, which means you have a loan-to-value ratio (LTV) greater than 80%. PMI is purchased through a third-party insurance company and paid via your monthly mortgage payments. How much it costs depends on several factors, but once your LTV is below 80%, you can refinance your mortgage to get rid of the PMI.

Do you qualify to eliminate mortgage insurance?

You probably never wanted to pay mortgage insurance (who does?), but when you had dreams of buying a home, that added cost made it possible at the time. If you've been making your on-time mortgage payments for a while, though, you may be wondering when you can stop paying mortgage insurance — or at least reduce your payments.

Has your home increased quite a bit in value since you got your original Conventional loan? The value might be high enough to allow you to have a new appraisal completed and then contact your lender to eliminate private mortgage insurance (PMI). Have your financial circumstances and/or credit improved since you were approved for your FHA loan? You may be able to refinance into another loan product, like a Conventional loan, that doesn't come with lifetime mortgage insurance premium (MIP).

The bottom line? You have options. But first, it's important to understand the differences between types of mortgage insurance and how they affect you. Whether you have PMI or MIP depends on what kind of mortgage you have. Read below to learn the differences between these two types of mortgage insurance.

PMI – Private Mortgage Insurance vs. Mortgage Insurance Premium (MIP)

If you have a Conventional loan, and your down payment was less than 20% of the purchase price, you have PMI. Once you reach 80% loan-to-value (LTV), you can call your lender and ask them to eliminate your PMI. If you reach 78% LTV, your lender is legally required to cancel PMI on your behalf — as long as you're current on all your mortgage payments.

MIP

If you have an FHA loan, you have MIP. FHA loans allow for more flexible credit qualifications compared to Conventional loans, so even if you make a 20% down payment, you will still be required to pay MIP. There's an upfront MIP, which currently equates to 1.75% of the base loan amount, and that's due at closing. Then there's an annual MIP that's charged monthly for the life of the loan.

FREQUENTLY ASKED QUESTIONS

Am I eligible for MIP Cancellation?

If you applied for your original FHA home loan prior to June 3, 2013, you may be able to perform an MIP cancellation (also known as MIP Elimination). To understand how much you pay in mortgage insurance on top of your principal and interest, check your monthly mortgage statement or give a KeyFactor&Co. expert to connect you with a lender to perform a no-obligation mortgage evaluation.

How do I eliminate or reduce my mortgage insurance payment?

If you're currently required to carry mortgage insurance, there is light at the end of the tunnel: you don't have to keep it for the entire length of the loan. You can pay your loan down faster by paying more than the required minimum each month ("extra principal payments"), which will help you build equity in your home faster. Then, once you have at least 20% equity in your home, you can request to eliminate the mortgage insurance premium all together. You can also refinance with KeyFactor&Co. preferred lender and if your new loan-to-value (LTV) is below the required threshold, you may not have to pay mortgage insurance on your new loan at all.

What Is Mortgage Insurance?

Simply put, mortgage insurance is a policy taken out on your loan that protects the lender in the event of default or foreclosure. Of course, no one expects to default on their mortgage, but life isn't always predictable, and lenders need assurance that they will get their money back in the event your financial circumstances takes a turn for the worse.

In this scenario, the lender is the beneficiary if you default on the mortgage loan for any reason.

What does my mortgage payment include?

A typical monthly mortgage payment includes the principal, interest, homeowners insurance, property taxes, and private mortgage insurance (PMI) if you put down less than 20%. You can pay more on your mortgage each month, but make sure you specify that you want the extra money to go toward the principal only (vs. prepaying interest).

What is my loan-to-value ratio? Why do I need to know that?

Loan-to-value (LTV) tells you how much equity {“ownership”} you have in your home relative to how much you owe on it and what the house is worth. LTV is important to know when refinancing because it can affect your interest rate and whether or not you’ll need Private Mortgage Insurance (PMI).

Don’t let little or no equity stop you from refinancing.

Your mortgage payments may have been a good fit when you bought your home a few years ago, but things change, and sometimes it’s necessary to refinance. That’s not always easy to do if you’re underwater on your loan though, as traditional refinancing requires some type of equity in your home. We’ve got good news — you may be able to refinance your mortgage even if you owe more than 97% of your home’s value.

The Home Affordable Refinance Program (HARP) has officially expired, but we offer two new refinance loans. To be eligible, you must have an existing Fannie Mae (FNMA) or Freddie Mac (FHLMC) loan. The **Fannie Mae High Loan-To-Value Refinance Option (HIRO)** is designed to help homeowners refinance into a lower rate and payment — even if you have little or no equity in your home. In most scenarios, no minimum FICO® Score and no max debt-to-income (DTI) is considered. Your note date must be on or after October 1, 2017. Your current loan-to-value (LTV) must be over 97.01% for a single-family primary residence, 90.01% for a second home, and 75.01% for an investment property.

Another option is the **Freddie Mac Enhanced Relief Refinance (FMERR)**. This program is essentially an extension of HARP but with slightly different requirements. With FMERR, you can get a lower interest rate, shorter loan term, or change from an adjustable-rate mortgage (ARM) to a fixed-rate mortgage. Like the HIRO, in most scenarios, there's no minimum credit score and no maximum DTI. Again, your note date must be on or after October 1, 2017, and the same LTVs apply for you to be eligible.

Consider refinancing with either of these programs, and you could reduce your monthly mortgage payment and start building equity.

Is a higher-LTV refinance right for you?

It's always a good idea to make sure the benefits are worth it. You may want to consider this type of refinancing if you would like to:

- **Have a lower monthly mortgage payment**
- **Reduce your interest rate**
- **Get a fixed-rate mortgage that won't change over time**
- **Take advantage of shorter terms to build equity faster!**

Want to know if you qualify for a higher LTV refinance? Reach out to us. If you're eligible, we can help you jump on today's low interest rates.

What is the typical refinance process?

Refinancing is usually a much simpler process than buying a home. Typical steps in the process include:

1. Research the value of your home and check your credit scores.
2. Gather all needed documents and apply for the refinance.
3. After your loan is approved, the underwriting process begins—the time for careful review.

4. Sign your papers and close your loan.

When is the right time to refinance?

Refinancing is usually a much simpler process than buying a home. Typical steps in the process include:

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4. Sign your papers and close your loan.

How do interest rates affect my mortgage?

High interest rates bring higher monthly payments and increase the overall interest you'll pay over the life of your loan. A low interest rate saves you money in both the short and long term. Sometimes a bigger down payment can help you get a lower interest rate. Keep in mind that the money you pay in interest doesn't ever go toward paying off the principal, so it's smart to get the lowest interest rate possible and then pay off your house as quickly as you can.

What costs are required at closing?

Closing costs can be divided into two main categories: (1) the lender, (2) third-party fees which is out of the lender's control. Lender fees include any costs associated with processing your loan, such as prepaid interest, discount points, origination charge, and any rate lock fees. Third-party fees include fees paid for services performed by parties other than the lender – either imposed by the state or local government, or by the individual vendors that provide the service. They also include pre-payments for taxes and insurance that are placed in an impound or escrow account. Third-party fees include appraisal fees, title service fees, and government recording fees.

How Can I Improve My Credit?

Improving your score is not impossible. There are things you can do right now to begin improving your credit score, including:

- Get copies of your credit reports and stay on top of them
- Set up payment reminders and pay your bills on time
- Focus on reducing your debt