HOMEBUYER FINANCING GUIDE

CONCORDE MORTGAGE
The Future of Lending Today

Presented by

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Are You Ready to Buy?

Renting

1. Typically Less Cash Up Front
2. You do not have to worry about maintenance issues
3. If you need to move it is easier to give notice to landlord than to sell
4. You may not be able to customize your rental
5. You have no potential for building equity
6. Your rent could increase each year
7. You could probably add several other pros and cons to this list

Buying

1. Homeowners may deduct their interest and property tax on federal returns
2. You may be able to build equity in your home
3. You may customize your property
4. You own something tangible that you can leave your heirs
5. Your overall housing expenses will most likely increase
6. Your property may depreciate through no fault of your own
7. You are responsible for all maintenance

Are you ready to buy?

Are you ready for Homeownership Checklist

1) Do you have a steady job and income?
2) Do you plan on remaining in the same area for a few years?
3) Do you have enough set aside for your down payment and closing costs?
4) Have you worked out how much more you can afford to spend each month on total housing costs – including higher utilities?
5) Do you currently have savings set aside for an emergency?
6) Do you live within your means, avoiding credit card debt?
7) Do you now live within a budget plan – carefully considering major purchases and paying more than the monthly minimum required on your credit cards?

How many "Yes's" did you check off? If they outnumber the "No's" you're in good shape. But carefully re-examine each "No" to make sure it's not a deal breaker. Even if you are not quite ready today, there is always tomorrow.

Important Financing Terms

Below are some important terms to understand:

Annual Percentage Rate – The total cost of a loan calculated on an annualized basis. APRs make it easier to compare loan products with different rate and point combinations.

Appraisal – Appraisals estimate the market value of a home based on comparisons with similar properties. Unlike a home inspection, the appraisal does not produce a detailed assessment of the systems or structures of the property.

Closing Costs – The costs paid at closing by the buyer and seller. These costs are itemized on the Hud-1 Settlement Statement. Closing costs may range from 3% to 10% of the sales price of the home.

Contingency – A condition on the sales contract that must be met to make the contract legally bindings. Typical contingencies include financing and appraisal.

Conventional Mortgage – If a mortgage loan is not insured or guaranteed by the federal government, it is considered to be a conventional loan.

Credit Score – A credit score is a statistical method of measuring an individual's management of credit. It predicts the relative likelihood that the individual will repay a mortgage or other forms of debt. Most mortgage lenders use the credit score formula developed by Fair, Isaacs, and Company, known as the FICO score.

Additional Financing Terms

Discount Points – One discount point is 1% of the loan amount. These points represent interest paid up front to the lender, rather than over the life of the loan. Typically the higher the interest rate, the lower the discount points, and vice versa.

Down Payment – The portion of the sales price paid in cash. Down payments typically range from 3-5% for first time home buyers.

Earnest Money – A portion of the down payment that is placed in escrow with the real estate agent when the sales contract is accepted. The earnest money deposit indicates the buyer's firm intention to purchase the property in question. If the contract is accepted by the seller, these funds will be for the purchaser's down payment and closing costs, or depending on your loan, returned to the buyer at closing.

Equity – The difference between the value of the property and the amount owed on the mortgage. Equity increases over time as the mortgage is paid down or if the property increases in value.

Escrow Accounts – Lenders typically collect 1/12 of the annual payments due on property taxes plus hazard and mortgage insurance premiums. These monthly payments are placed in an escrow account, from which the lender draws the tax and premium payments when they fall due.

Good Faith Estimate – Within three days of taking an application, the lender or mortgage broker must provide to the borrower an estimate of the closing or settlement costs.

Government Mortgages – Mortgage loans that are insured or guaranteed by the federal government, typically FHA, VA, and USDA Rural Development loans.

Additional Financing Terms

Gross monthly income -- The amount an individual earns before taxes and other deductions are taken out of the paycheck

Home Inspection – A home inspection, conducted by a certified inspector, includes a detailed review of the structure and systems of the home. The inspection report itemizes the condition of each item inspected and makes recommendations on how to address any deficiencies. This inspection is not required by a Lender, but is **strongly** recommended.

Home Warranty – Home warranties generally cover repairs to a specified part of a home, such as major appliances or the plumbing, electrical, heating, and air conditioning systems. Ask your realtor for more information.

Housing Expense Ratio – This is the ratio of your gross income to your total housing expense (principal, interest, taxes and insurance)

HUD-1 Settlement Statement – The HUD-1 Settlement Statement is required at closing. It itemizes all of the closing or settlement costs paid by both the buyer and the seller. Both parties have the right to review the HUD-1 statement 24 hours before the scheduled closing.

Loan to Value Ratio – The loan to value is calculated by dividing the unpaid loan balance by the current value of the property, typically the lower of the purchase price or appraised value.

Mortgage Insurance – Mortgage insurance is a monthly premium that reimburses the lender or investor for losses incurred during a foreclosure. This is typically paid until your loan to value reaches 78% or a minimum of 7 years on a FHA loan.

PITI – A mortgage payment includes four parts – Principal, Interest, Taxes and Insurance.

Additional Financing Terms

Prepayment Penalty – If the borrower makes an additional principal payment or pays off the loan more quickly than the prescribed payment schedule, that borrower could incur a prepayment penalty.

Term – The term is the maximum period of time over which the mortgage is re-paid.

Title – A legal document evidencing the legal ownership of a property.

Title Insurance – Title insurance protects the holder of the policy against loss resulting from disputes over ownership of a property. There are two kinds, owners title insurance and lenders title insurance.

Total Debt Ratio – This is the total ratio of all of your debts including your housing expense in comparison to your total monthly gross income.

Types of Financing

Conventional Mortgage

Conventional loans are mortgages that are not covered by any government program of insurance or guarantee. Such loans may be eligible for purchase by the major secondary market agencies Fannie Mae and Freddie Mac which offer standardized underwriting guidelines for conforming loan amounts up to $417,000. These loans can carry fixed or adjustable (ARM) rates and a variety of repayment terms that can be tailored to your individual needs. Down payment requirements may be as little as 5% although loans with less than 20% down require mortgage insurance. Generally these loans do not have prepayment penalties.

Types of Financing

FHA Mortgages

FHA loans are ideal for first-time home buyers and those low-to-moderate-income borrowers. Loans are insured by the Federal Housing Administration. Down payments may be as little as 3.5% The downpayment may be borrowed from a family member. You can also ask for up to 6% Seller's contribution towards closing The loans are assumable with release of liability to the original borrower. Each area of the country has a designated maximum loan amount that is determined by the Department of Housing and Urban Developm

Types of Financing

USDA Rural Development

Rural Development loans are unique in that there is no down payment required and no PMI cost. Loans are insured by the U.S. Department of Agriculture. This 30 year fixed mortgage is ideal for buyers with very little cash since closing cost may be financed depending on appraised value. Each area of the country has a designated maximum income limit.

Types of Financing

VA Mortgages

Available to individuals who have served or are currently in the U.S. armed forces that meet eligibility requirements. VA mortgages may be provided with no down payment requirement, making them ideal for first-time borrowers. Loan amounts may be as much as $244,000 with full entitlement. Loans are assumable with release of liability and there are no penalties for prepayment.

Your Next Step

So have you decided you are ready to buy?

Now is the time to get Pre-qualified for your new home loan.

After you obtain your pre-approval, you will need to find a Realtor.

The Loan Process

Once you have found your new home, you will need to make an appointment with your loan officer. At this time you will need to have your income documentation (typically paystubs & W2's depending on your situation), bank statements, bankruptcy papers if applicable, and any other documentation they may require.

After this information has been reviewed they order the appraisal.

Typically after the appraisal is received, the loan goes into final underwriting.

Once the loan is underwritten, the closing is scheduled and you are a new homeowner.