

HOMEBUYER SEMINAR

How 4 Mortgage
Products of Today
Can Help You
Buy a Home!

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EQUITY
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mortgages



How Four Mortgage Products Can Help You Buy a Home!

FHA



VA



Conventional



RD



Compare and Contrast Programs

| | FHA | VA | CONV | RD |
|---------------------------------|-------------------------------------|---|---|--|
| Min Credit Score | (580) 640 | (580) 620 | 620 Need to watch MI restrictions | 640+ 600-639 Exe |
| Down Payment | 3.5% | Zero Down | 5% | Zero Down |
| Bankruptcy 7 | 2 Years | 2 Years | 4 Years, or 2 Years w/ extenuating circumstances | 3 Years |
| Foreclosure | 3 Years | 2 Years | 7 Years, or 3 Years w/ extenuating circumstances <i>and</i> max LTV 90% on a purchase of primary residence <u>OR</u> limited cash-out refinance | 3 Years |
| Mortgage Insurance | Upfront of 1.75% plus monthly | 2.15% No Down Pmt 2.4% (Reserve/Nat Gd) 2 nd Time Users 3.3% VA Disability Zero | Monthly amount based on down payment/credit score Max DTI 41% to 45% 2 mos reserves generally required Min score 680 for MI | Upfront of 2% plus monthly |
| Seller Contribution | 6% | Contributions = No Max VA Concession = 4% | <10% down = 3% 10%-25% down = 6% 25 down = 9% | 6% |
| Qualifying Ratio | 31 / 43% Exceptions | 41% Exceptions | Per automated system Must be under 45% | 29/41% Exceptions |
| Occupancy | OO Only | OO Only | OO / 2 nd Homes / NOO (down pmt varies on 2 nd & NOO) | OO Only |
| Income Requirement | None | Residual Income Requirements | None | Varies – According to County |
| First Time Home Buyer OK | Yes | Yes | Yes | Yes |
| Miscellaneous | Non-Occupied co-borrower allowed | Buy a home with \$0 down No monthly MI | Only option for 2nd home or NOO | Buy a home w/ \$0 down Low monthly MI |
| Geographical Restriction | No | No | No | Only Rural Areas Qualify |
| Lender Overlays | Yes | Yes | Yes | Yes |

*FHA Loan Example: FHA Loan for \$171,830 with 3.5% down payment for 30-Years with a fixed 4.25% rate/5.86% APR has a monthly payment of \$1,420.19 (includes taxes, insurance and MI). Conventional Loan Example: Conventional loan with 5% down payment on a \$125,000 purchase price with a 4.75% fixed interest rate/5.438% APR for 30 years = \$1027.42 monthly payment (including Principle, Interest, Taxes, Insurance and Association dues of \$150.00 per month).

FHA



FHA Myths

- * FTHB only with bad credit
- * Appraisals are too picky (drastic revision 12/2005)
- * Too many inspections (well/septic/water)
- * Takes too long
- * Crack in sidewalk

FHA Facts

- * Inspection needed as per contract or as required by appraiser
- * Max loan amount for most counties \$271,050
- * Condos have to be approved by HUD
 - * Go to website to check if eligible:
<https://entp.hud.gov/idapp/html/condlook.cfm>
- * Great for low down payment option = with score under 660



VA Myths

- We don't have Veterans in my area
- Takes too long

VA Facts

- No monthly mortgage insurance
- Condos must be VA approved
 - <https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch>
- Veteran can not pay for Pest inspection
- Mortgages are assumable

Conventional Myths

- Best rates
- Lower costs
- Need 20% down

Conventional Facts

- Min. down payment is 5%
 - Must meet credit score and DTI guidelines
- Condos can be financed with only 5% down
- Alimony and child support income - now required to document 6 months of receipts
- DTI is 45%*
- 5% Gift





RD Myths

- Farm loan, isn't it?
- Can't be in the city
- Too many inspections

USDA Facts

- Zero money down
- Mechanicals and living area cannot be in flood zone
- Only need water test and any stated on contract or as required by appraiser
- Follows FHA appraisal guidelines
- Has to be approved by us then sent to USDA for their approval
- Pools cannot be given value
- Land limitations
 - *Generally, the value of the site must not exceed 30 percent of the total value of the property.*
- No working farm outbuildings

What to look out for:



FHA/VA/RD

- Peeling paint - window, doors, sheds, garages, porches, trim, basements...
- Electric covers
- Exposed wires
- Seriously cracked window
- Holes in wall
- Mold
- Upper level porch - needs railing or door needs sealed shut.
- Access to crawl space and attic

Give it the old up and down look!

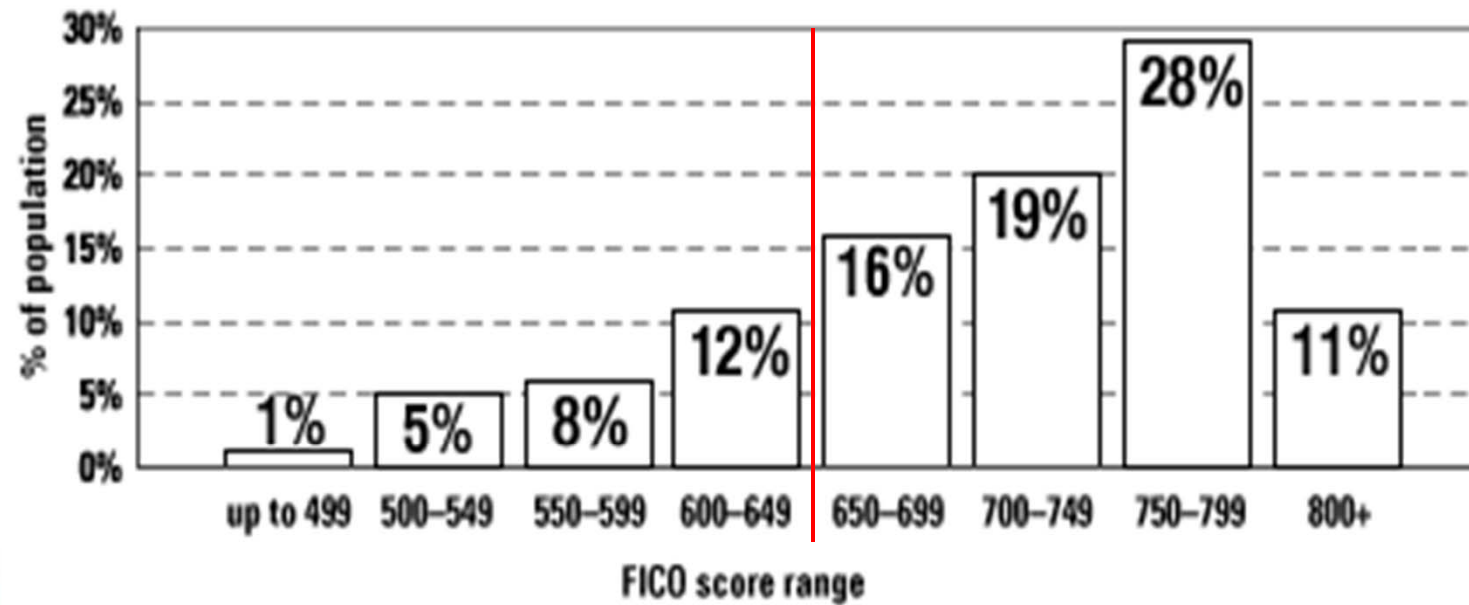
Your Credit Score Affects?



- Mortgage loans
- Homeowner's insurance premium
- Car insurance premium
- Car loan rates
- Instant credit card approvals
- Employers - should I hire them or not?
- Mortgage insurance

Ranges of a Credit Score

National distribution of FICO scores



MILLIONS OF AMERICANS HAVE INACCURATE CREDIT SCORES

- FTC survey from Feb 2013 showed 21% had inaccuracies in their credit report.
 - 5.2% of reports had serious errors
 - 15k J = 34 points (true consumer example)
- How to fix errors?
- Watch out for “Free” Credit Reports
- Good news – July 2012 the CFPB stated they will monitor the nation’s credit reporting industry.

Annual free credit report: www.freecreditreport.gov

How the Credit Score Affects Loan Programs



660-850

620-659

600-619

580-599

540-579

500-539

300-499

No Score



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