

FIRST TIME HOME BUYERS WHAT SHOULD YOU KNOW?



EXCEL
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Types of loans

Conventional: Conforming Loans

A conforming loan has certain terms and conditions that meet the funding criteria of Fannie Mae and Freddie Mac. The dollar limit changes from year to year. Conforming loans offer lower interest rates than other types of mortgages.

FHA: Government loan, great for those with credit challenges

A Federal Housing Administration (FHA) loan is a mortgage that is insured by the Federal Housing Administration. (the government)

USDA: Government insured loan, rural areas

Houses need to be in an eligible rural area. Also, the house cannot be designed for income-producing activities. That means that some rural homes might not qualify.

VA: Government insured loan for eligible active duty and veteran buyers

VA loans helps people who are in the military, veterans, and their families become homeowners. VA loans will guarantee a certain amount of the loan. This means that if you get a loan with them, you can get better terms.

Down Payment Requirements:

*Conventional:
3% down minimum for
first time home buyers*

*FHA: 3.5% Down
minimum*

*USDA: \$0 down
payment requirement*

*VA: \$0 down payment
requirement*



What are 'good, verified' funds?

Your mortgage lender will have to verify the funds for your purchase transaction. You CANNOT use 'mattress money' when purchasing a home. Any large deposits into the accounts you plan to use will be questioned & if they cannot be sourced, cannot be used!

Gift Funds: Gift funds CAN be used in a purchase transaction – these funds will be verified with a fully executed gift letter between the buyer and the donor's bank statements

Secured Borrowed Funds: Secured borrowed funds are loaned to borrowers but secured by something (ex: HELOC on another home, retirement fund loans, secured loan borrowed against a car owned free & clear)

Notes

Debt To Income Ratios

Front End/Housing Ratio:

The percentage of your gross monthly income that will be devoted to your new mortgage payment

Back End/Total DTI:

The percentage of your income devoted to your new mortgage payment, and all other monthly debts

*Fun Fact: The only monthly debts that a mortgage originator takes into account are your minimum credit card payments, auto payments, student loans, and consumer loans – things like monthly utilities or health insurance are not taken into account for your debt to income ratios



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