Property under our long

The value of the property used as
mortgage in the giving up
Mini (Taka and A’ayan and Tabor)

The down payment depends on the
property value

Example: You have signed a pre-contract
agreement for $125,000 that you
will fund with a 90% LTV

mortgage

Case I: Suppose the property is approximately

$125,000

The maximum loan could be

90% of this (for a 90% LTV)

$125,000 x 90% = $112,500

purchased for $125,000 you will

deduct $112,500

$25,500 purchase price

$112,500 loan amount

$4,750
deposit amount
You will also need funds to cover closing costs

Case II - The house appraises for

\[
\begin{align*}
125,000 & \text{ Move Home Cost} \\
0 & \text{ Purchase Fee} \\
25,000 & \text{ naive} \\
12,500 & \text{ Down Payment} \\
\hline
12,500 & \text{ Down Payment} \\
\end{align*}
\]

Conclusion: If the house does not appraise for at least what you agree to pay for you will require additional funds for downpayment.

Low appraisal can be a deal killer.

Qualifying the borrower: what do you do with the information you collected?

Coments on qualifying rating
Traditional Factors

\[
\text{Housing Expense} \leq 25\% \\
\text{Income}
\]

\[
\text{Housing Expense + Other Debt Payments} \leq 36\% \\
\text{Income}
\]

(Use monthly figures for both)

In addition you have to have enough funds for down payment plus closing costs

Horizon Expense is usually described as T I T E

- Principal - the mortgage part we interest have been calculating.
- Taxes - property taxes
- Insurance - "hazard" insurance

Also included is PMI (Private Mortgage Insurance) and Association Fees
PITI
Typically does not include maintenance costs or utilities.

How qualifying is done depends on the type of loan you are looking for.

**Common Mortgage Types**

1. **Conforming Conventional** - Conforming means conforming to the underwriting for loans that will be sold to Fannie Mae or Freddie Mac. Most mortgages currently originated are sold to either Fannie Mae or Freddie Mac even if the loan is not sold to those agencies, often determined by its standards. The 28/60 more the Conforming.

2. **FHLMC/FNMA** - FHLMC or Federal Home Loan Mortgage Corporation, often called Freddie Mac.

3. **FNMA** - Federal National Mortgage Association, often called Fannie Mae

(Fannie Mae is a government agency that trades on the NYSE)
Also there are limits on the size the mortgage, currently 
$322,700 for single family homes (i.e. it's aimed at the middle class and 
lower)

Loans above $322,700 are called Jumbo 
loans 
Higher ratios (e.g. > 70% LTV) can be used 
due to compensating factors or in designated urban areas.

2) Non Conforming conventional 
- Could be Jumbo's 
- Could be "portfolio" loans that 
  use different underwriting standards. 
(portfolio loans means the lender holds 
the loan as part of their assets, such 
as World Savings, Washington Mutual etc.
(Note: Traditionally, loans were held 
in portfolio by Savings & Loans and 
other Thrifts or Commercial banks)

Subprime lending - is for those who 
  don't qualify as "prime credit"
(3) Privately Insured Mortgage
- Often are conforming with PMI added. [Can also be for non-conforming]
- Required by Freddie Mac and FHA if less than 20% down payment.
- You prepay your first year’s premium at closing, and future years’ premiums are factored into your monthly payment.

Once your LTV falls below 80%, you can apply to remove the mortgage insurance premium.

If you default, the mortgage insurer company is responsible for the top 25% of the loan. Only the mortgage company is insured. The mortgage company can go after the borrower to reclaim its payments.

(4) FHA Loan
- Are originated by traditional channels, but the loan is guaranteed by the Federal Housing Authority.
The FHA does not originate loans. Traditional lenders who make FHA
loans, underwrite according to FHA standards or send the loan documentation
to the FHA for approval
May use a somewhat different set of
criteria than Fannie Mae

A traditional reason to choose FHA was
for its low down payment
you can finance (i.e. add to your
loan balance) your beginning mortgage
insurance premium.

Maximum loan amount is $144,336
or up to $261,609 for high cost
cities.
Loans are “fully” guaranteed

VA mortgages
- VA guarantees the top portion of
loans, for qualified veterans
This allows qualified veterans to buy
homes with no down payment

is part of HUD
and Urban Development)
VA loans are fully assumable and without prepayment penalty. The borrower (or seller) preps the VA a funding fee (that looks conceptually like a mortgage insurance premium). The loan is not made by the VA. Underwriting on VA loans is historically based on "Residual Income" rather than qualifying ratios.