

A GUIDE TO

Mortgages



TAMPA BAY MORTGAGE GUIDE



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TYPE OF MORTGAGE

Financial Preparation



FIXED-RATE MORTGAGE

Offers a consistent interest rate for the entire loan term, providing stability and predictability in monthly payments.

ADJUSTABLE-RATE MORTGAGE (ARM)

Features an initial fixed-rate period followed by periodic adjustments based on market rates, potentially leading to lower initial payments but increased uncertainty over time.

FHA LOAN

Insured by the Federal Housing Administration, these loans often have more lenient qualification requirements and lower down payment options, making them popular among first-time homebuyers.

VA LOAN

Available to eligible veterans, active-duty service members, and their spouses, VA loans offer favorable terms, including no down payment requirement and competitive interest rates.

USDA LOAN

Backed by the U.S. Department of Agriculture, these loans are designed to help low- to moderate-income borrowers in rural areas purchase homes with little to no down payment.

INTEREST-ONLY MORTGAGE

Allows borrowers to pay only the interest on the loan for a certain period, typically the first few years, before transitioning to full principal and interest payments.

JUMBO LOAN

Designed for financing higher-priced properties that exceed the conforming loan limits set by Fannie Mae and Freddie Mac.

Choosing the right type of mortgage depends on factors such as your financial situation, future plans, and risk tolerance. It's essential to research and consult with a mortgage advisor to determine the most suitable option for your needs.

MORTGAGE LOAN REQUIREMENTS

Financial Preparation

The income requirements for different types of mortgages can vary based on factors such as the loan amount, credit score, debt-to-income ratio, and lender guidelines. Here's a general overview of income requirements for common types of mortgages:

CONVENTIONAL

- Minimum credit score of 620 to 640
- Debt-to-income ratio (DTI) usually needs to be below 43%

FHA LOANS

- Minimum credit score requirements may vary but generally start around 580 with a 3.5% down payment.
- Debt-to-income ratio typically capped at 43% to 50%, depending on the lender.
- Borrowers must have a steady employment history or income source for the past two years.

JUMBO LOANS

- Typically require a higher credit score, often starting around 700 or higher.
- Debt-to-income ratio requirements may be stricter, often requiring a lower DTI compared to conventional loans.
- Income requirements vary widely and depend on factors such as loan amount, credit profile, and lender guidelines.

USDA LOANS

- Minimum credit score requirements vary but generally start around 640.
- Debt-to-income ratio typically capped at 41% to 43%.
- Income eligibility limits are based on the area's median income and family size.

VA LOANS

- Borrowers must meet the VA's eligibility requirements, typically based on military service.
- A Certificate of Eligibility (COE) from the VA is required to prove eligibility.
- VA loans often do not require a down payment

HOW MUCH CAN I BORROW?

Financial Preparation

Lenders assess your debt-to-income ratio, which compares your monthly debt payments to your gross monthly income. There are two types of DTI ratios:

- Front-end DTI: This includes your housing-related expenses, such as mortgage payments, property taxes, homeowners insurance, and homeowners association (HOA) fees. Lenders typically prefer a front-end DTI ratio of 28% or lower.

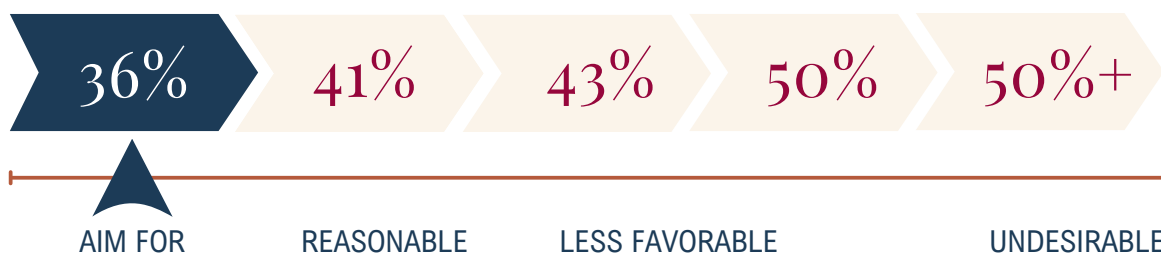
Example: Gross Income Monthly \$10,000 x 28% = \$2,800, your mortgage payment should be \$2,800 or less

- Back-end DTI: This includes all your monthly debt obligations, including housing expenses, credit card payments, car loans, student loans, and other debts. Lenders usually prefer a back-end DTI ratio of 36% or lower, although some may accept higher ratios depending on the borrower's credit profile and other factors.

Example: Monthly Gross Income is \$10,000, the combination of your mortgage, \$2,800, and other long-term debt should be no more than \$3,600: \$10,000 X 36% = \$3,600

DEBT-TO-INCOME RATIO (DTI)

$$\frac{\text{MONTHLY TOTAL DEBT}}{\text{MONTHLY PRE-TAX INCOME}} \times 100\%$$



MORTGAGE PRE-APPROVAL

Tips From The Pro!



AVOID OTHER SIGNIFICANT PURCHASE

Avoid making significant purchases, opening new lines of credit, or closing existing accounts, as these can impact your credit score and debt-to-income ratio.



GOVERNMENT DOWN PAYMENT ASSISTANCE PROGRAM

Check out if you are eligible in any government down payment assistance program



HOMEBUYER GRANTS

Ask your lender if they have any homebuyer grants program



TIMELINE FOR APPROVAL AND CLOSING

Ask about the expected timeline for mortgage approval and closing



CLOSING COSTS

Request a breakdown of the closing costs associated with the loan, including origination fees, appraisal fees, title insurance, and prepaid expenses. Understand who is responsible for paying these costs and whether they can be rolled into the loan.



APPLICATION FEE

Ask about your lender's mortgage application fee and how much it cost you in case of cancellation. It is not uncommon that you may have to switch lender in the middle of the buying process.

DOCUMENTS FOR MORTGAGE PRE-APPROVAL

Financial Preparation

- Personal ID.
- Proof of income (W-2s, pay stubs, tax returns).
- Employment history (past two years).
- Bank statements (recent months).
- Credit report authorization.
- List of current debts and minimum payments.
- Proof of assets (investment, retirement accounts).
- Residence history (past two years).
- Gift letter (if applicable).
- Explanation for large deposits (if needed).

Requirements may vary by lender, so confirm with them for specifics. Providing these documents helps streamline the pre-approval process.

