



Buying your new home



Key Topics

- The Mortgage Process
 - What does a lender look for in a borrower?
 - Credit Reports, Scores and Tips
 - How much money will you need?
 - Build a roadmap to assist you in buying your first home.



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3 Key Considerations

- Ability to repay
 - Income, Assets, Debts
- Willingness to repay
 - Credit History
- Value of the property
 - Appraisal



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Ability to Repay

- Depends upon income, debt and type of property.
 - (Single, multi-family, or condominium)
- Housing ratio
 - PITI (principal; Interest; Taxes; Insurance)
 - 28% to 33% of gross income
- Total debt ratio
 - Total debt (PITI, plus all other debt)
 - 36% to 38% of gross income



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Willingness to Repay

- Have you made your payments on time?
- Have you disclosed all debts including:
 - Auto loan and lease payments
 - Student loans
 - Credit cards
 - Lines of credit
 - Alimony and /or child support
- Have you made your account executive aware of any past problems?



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Credit Scores

- Lenders use FICO scores
- Scores range between 300 and 850
- 740 and above get the best rates
- Calculated on history, amount owed, length of history, number of new accounts, mix of account types



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Credit Reports

- Credit Report Resources

- TransUnion
 - www.transunion.com
- Experian
 - www.experian.com
- Equifax
 - www.equifax.com
- Check your credit report for free
 - www.annualcreditreport.com
- Check your FICO score (This is not free!)
 - www.myfico.com



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Credit Hacks

- Here are steps you can take to protect your financial information:
- Use online resources and mobile apps to track spending, transactions and payments in real time.
- Continuously monitor your bank accounts and credit cards for any suspicious activity or purchases that you do not recognize.
- Access your credit report at www.annualcreditreport.com. You are allowed one free credit report per year from the credit reporting agencies.
- Report any suspicious transactions to the Bank or your credit card company immediately. If you believe that you are a victim of identity theft, contact your local police department.
- Request fraud alerts on your credit report. This will alert you before credit is issued in your name. You can find more information on fraud alerts here: <https://www.consumer.ftc.gov/articles/0275-place-fraud-alert>
- You can also find helpful information on identity theft, preventing scams and protecting your financial information from these agencies:
- **Massachusetts Attorney General's Office:** <http://www.mass.gov/ago/consumer-resources/consumer-information/scams-and-identity-theft/>
- **Federal Trade Commission:** <https://www.consumer.ftc.gov/features/feature-0014-identity-theft>



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Property Value

- An independent appraiser will be sent to view the property and determine value
- They are looking at market value
- They are not home inspectors
- The bank receives a written report



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Cash Requirements

- Down Payment
 - 3-10% for single family homes and condominiums
 - Funds to cover closing costs
 - Reserves, typically 2-3 months of payments
- Acceptable Sources
 - Savings
 - Inheritance & gifts
 - Sale of stocks, bonds or other assets



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Closing Costs

- Fees associated with processing and closing your loan
 - Actual costs associated with the loan
 - Points
 - “Pre-paid” interest
 - Real estate tax escrow account
 - Homeowner’s Insurance
 - PMI



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What is PMI?

- Private mortgage insurance
 - Allows you to purchase a home with minimal down payment
 - Required with less than 20% down payment
 - Rates change at 10% and 15% down payment
 - How long will it continue?
 - Must have 20% equity based on original price
 - Automatically will stop at 78% of original price



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Escrow Accounts

- Taxes and Homeowner's insurance are often collected as part of the monthly payment.
- Tax escrow typically will take 3-4 months worth of taxes into the account at closing
- Homeowners insurance may be escrowed as well
- PMI and Flood insurance are always escrowed



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Types of Mortgage Loans

- Fixed Rate
 - Stable Payments
 - Rate Never Changes
- Adjustable Rate
 - Lower Initial Rate
 - Rate is fixed for a set period, then adjusts annually



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Rate, Points, APR

- Rate is used to calculate your payment
- Points can be paid to obtain a lower interest rate. A point is 1% of the loan amount. They are paid at the loan closing
- Annual Percentage Rate or APR reflects cost of the loan over time. Combines rate, points and costs into a single number for comparison of loan programs



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LE/CD

- **Loan Estimate**

- Initial estimate of costs

- Based on information known at start of process
- Given within 3 business days of application

- **Closing Disclosure**

- Final figures for your closing

- Based on actual information
- Given 3 business days prior to closing
- All documents should be submitted 10 days prior



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Pre Approvals

- Inquiry
 - Outlines approximate amount you can borrow
 - Helps you search in an appropriate price range
 - Based on *unverified* information
- Pre Qualification
 - Based on *verified* financial information, credit report
 - This will enhance your offer to purchase.
- Pre Approval
 - Must have an accepted offer.
- Apply Online: <https://ecsb.mymortgage-online.com/>



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Things to Remember

- Consolidate funds to a single account
 - Allows easier tracking of funds
 - Less paperwork for everyone
- Large deposits must be documented
 - Deposits over 50% of monthly income
 - Keep detailed records and photocopies



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Where Do I Start?

- **Work with experienced people.**
 - Real Estate Professional
 - Find someone who are comfortable with.
 - Inspectors
 - Get referrals, license information
 - Attorney
 - Specializes in real estate transactions
 - Lender
 - Get pre-approved with a experienced lender.



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