



Buying your new home



Tonight's 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)
 - Target: 28% to 33% of gross income (Typically higher with compensating factors)
- Total debt ratio
 - Total debt (PITI, plus all other debt)
 - Target: 36% to 38% of gross income (Typically higher with compensating factors)



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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 Loan Officer aware of any past problems?



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Credit Scores

- Lenders use FICO scores
- Scores range between 300 and 850
- 760 and above get the best rates (Standard Fannie Mae/Freddie Mac Products). **N/A FTHB Programs**
- 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 – Comparable recent home sales
- They are not home inspectors
- The bank receives a written report



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Cash Requirements

- Down Payment
 - 3-5% for single family homes and condominiums
 - Funds to cover closing costs
 - Reserves, 2-3 months of payments (**if required**)
- Acceptable Sources
 - Savings
 - Inheritance & gifts
 - Sale of stocks, bonds or other assets



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Down Payment Assistance

Federal Home Loan Bank of Boston

- Housing Our Workforce
 - Grant up to \$25,000. 80-120% of median income
 - <https://www.fhlbboston.com/fhlbank-boston/how-overview#/>
- Equity Builder Program
 - Up to \$25,000. 80% or less of median income.
 - <https://www.fhlbboston.com/fhlbank-boston/ebp-overview#/>
- Lift Up Homeownership Program
 - Up to \$50,000. 120% or less of median income.
 - <https://www.fhlbboston.com/fhlbank-boston/lift-up-homeownership#/>

Mass Housing Partnership – One Mortgage

<https://www.mhp.net/one-mortgage/programs-2>

Mass Housing Finance Agency

<https://www.masshousing.com/home-ownership/homebuyers/down-payment-assistance>



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Downpayment Assistance Programs in Our CRA Communities

- **City of Cambridge**
 - Contact Antonia Finley
 - Location Cambridge, MA
 - Phone 617-349-4643
 - Website <https://www.cambridgema.gov/CDD/housing/forhomebuyers/downpaymentassistance>
- **City of Lynn**
 - Contact Neighborhood Services
 - Location Lynn, MA
 - Phone 781-581-8624
 - Website <http://www.lhand.org/neighborhoodServices.aspx>
- **City of Newton**
 - Contact Malcolm Lucas
 - Location Newton, MA
 - Email mlucas@newtonma.gov
 - Phone (617) 796-1149
 - Website <https://www.newtonma.gov/government/planning/housing-community-development/housing/homebuyer-assistance>
- **City of Somerville**
 - Contact Housing Division
 - Location Somerville, MA
 - Phone 617-625-6600x2560
 - Website <https://www.somervillema.gov/departments/programs/inclusionary-housing-program>
- **North Suburban Consortium**
 - Contact Maureen Taylor
 - Location Malden, Medford, Arlington, Melrose, Chelsea, Everett, Revere, Winthrop
 - Phone 781-324-5720x5730
 - Website <https://www.cityofmalden.org/867/HOME-Program>



Downpayment Assistance Program Information

Municipal Down Payment Assistance Programs

- <https://www.mymasshome.org/municipal-down-payment-assistance-programs>

First Time Home Buyer Grant Programs

Understanding the various grant program offered

- <https://www.firsttimehomebuyer.com/grant-programs#>



Closing Costs

- Fees associated with processing and closing your loan
 - Actual closing costs associated with the loan
 - Lender fees, attorney's fees, title insurance, appraisal, credit report and recording fees.
 - Points **(Optional)**
 - “Pre-paid” Items
 - Prepaid Real Estate Taxes
 - Prepaid Homeowner's Insurance (Year 1 cost paid in full)
 - Prepaid interest
 - Escrow Account Reserves



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Escrow Accounts

- Taxes and homeowner's insurance are often collected as part of the monthly payment.
- Tax and insurance escrow, typically will deposit 2-3 months into the escrow account at closing
- ECSB portfolio programs do not escrow for homeowner's insurance
- PMI and Flood insurance are always escrowed



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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 1%, 3%, 5%, 10% and 15% down payment
 - How long will it continue?
 - May be removed when you have 20% equity
 - Automatically will be removed when loan balance equals 78% of original purchase price



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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

Portfolio and Secondary Market Programs



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Rate, Points, APR

- Note 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. The interest rate is typically reduced by .25% (will vary depending on market conditions). Points 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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Low Down Payment Options

- For a summary of the available options, please click: [Primary Residence Low Down Payment Options | East Cambridge Savings Bank](#).
- ECSB is both a Mass Housing and a Mass Housing Partnership lender. We also offer a wide range of Conforming (Fannie Mae/Freddie Mac), FHA/VA, and ECSB portfolio programs.



Key features of the ONE Mortgage



Low interest rate

Participating lenders provide buyers with a discounted interest rate

Down payments as low as 3%

3% down payment for condominiums, single- and two-family properties (1.5% in own funds)

5% down payment for a three-family property. (3% in own funds)

Pay no Private Mortgage Insurance

ONE Mortgage borrowers **never have to pay Private Mortgage Insurance**, saving you hundreds of dollars every month.

Financial assistance

Based on income, ONE Mortgage borrowers may also qualify for an additional monthly savings during their first seven years of ownership. MHP Interest Subsidy reduces monthly mortgage payments in the early years of ownership.





Am I Eligible?

First-time Homebuyer Status



This loan is designed specifically for first-time homebuyers

- Defined as borrowers who have not owned a home in the last three years

Exceptions to the First Time Homebuyer Requirement:

- Single Parent
- Displaced Homemaker



Am I Eligible?

Household Income Limits



- Income limits vary by **community & household size**
- Income limits are updated annually
- If your total household income falls below our income limits, you may be eligible for the One Mortgage Program.

www.mhp.net/incomelimits

Am I Eligible?

Household Income Limits



Income limits vary by **community & household size**

Household Size	1	2	3	4	5	6	7	8
80% Income Limit	\$92,650	\$105,850	\$119,100	\$132,300	\$142,900	\$153,500	\$164,100	\$174,650
100% Income Limit	\$115,800	\$132,350	\$148,900	\$165,400	\$178,650	\$191,900	\$205,100	\$218,350

Borrowers whose total household income does not exceed 100% of area median income may qualify for the ONE Mortgage Program. Borrowers below 80% area median income may be eligible for MHP subsidy.

www.mhp.net/incomelimits

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Am I Eligible?

Asset Limits



Your household assets must be less than \$100,000

Liquid Assets that are considered:

- Savings & checking
- Stocks & Bonds
- Gifted money including gifts of equity
- Roth IRAs
- Investments
- Land

Excluded Assets

- **Most** Retirement Accounts **Note – We **DO** count Roth IRAs!
- College Savings Plans

Am I Eligible?

Credit Score Requirements



Minimum Credit Score	Property Type
640	Condo, Single-Family
660	Two-, Three-Family

Alternative credit option available for those who lack sufficient documented credit history

PLUS: No “Risk Based” Pricing – You’ll get the same low interest rate whether your credit score is 640 or 850



MIPlus™ Mortgage Payment Protection Benefit



MIPlus™ helps pay your mortgage if you lose your job.

Available at no additional cost to eligible borrowers on loans insured by MassHousing.



About Mortgage Insurance (MI)

Mortgage insurance helps people buy a home with downpayments of less than 20% of the purchase price. Traditionally, MI is paid for by the borrower but only protects the lender in cases when the loan is not repaid.

MIPlus™ from MassHousing is different

Should you lose your job, MIPlus™ will pay your monthly principal and interest payments up to \$4,000 per month for up to six months.* This unique benefit is offered on all loans insured by MassHousing, at no additional cost to the borrower. It helps our borrowers get back on their feet when faced with unemployment. It provides them confidence, security and peace of mind, knowing that losing their job won't mean losing their home.

MIPlus™ Benefits

While not all MassHousing loans require mortgage insurance, those that do...

- **Require Lower Coverage**
Coverage required by MassHousing is typically less than that of conventional loans
- **Have Flexible Payment Options**
Can be paid monthly or as a single premium

To learn more,
contact a MassHousing lender,
visit www.masshousing.com/miplus
or call 888.843.6432.

*The amount of benefit paid will depend on the date the borrower applied for the mortgage loan, the number of borrowers listed on the loan and the share of the unemployed borrower's income used to apply for the mortgage. Eligible borrowers are those who are unemployed, defined as the receipt of unemployment benefits from the Massachusetts Department of Unemployment Assistance (DUA). Terms and conditions apply.





Down Payment Assistance (DPA)

Important: MassHousing offers several down payment assistance programs, each of which has its own terms, conditions and income limits. A MassHousing-approved lender will determine a borrower's eligibility and determine which option is available.

Saving for a home is challenging!

\$30,000 or \$25,000

in down payment assistance paired with a MassHousing mortgage loan can help you become a homeowner faster.



To be eligible for DPA from MassHousing, you must...

- be an income-eligible first-time homebuyers.
- purchase a single-family home, condominium, or 2-, 3- or 4-family property that will be your primary residence.
- pair DPA with an affordable MassHousing Mortgage loan to purchase your home.
- be purchasing a home in Massachusetts.

Want to learn more?



888.843.6432

to speak with one of our homebuying experts



masshousing.com/lenders

to contact a MassHousing-approved lender and see if a MassHousing mortgage with down payment assistance might be right for you

Down Payment Assistance Details

MassHousing provides down payment assistance in the form of a second mortgage loan. MassHousing-approved lenders determine which type and the amount of down payment assistance a borrower is eligible for.

Option 1 DPA is an interest-free deferred payment second mortgage loan, which means that no payments are due until the property is sold, refinanced, or the first mortgage loan is paid off, at which time, the entire balance is due.

Option 2 DPA is a 15-year amortizing second mortgage loan at a fixed 2% rate of interest (APR 2%), which means that the borrower makes monthly payments of principal and interest for 15 years on this second loan, in addition to the monthly payments on their first mortgage loan.

Option 3 DPA is a 15-year amortizing second mortgage loan at a fixed 3% rate of interest (APR 3%), which means that the borrower makes monthly payments of principal and interest for 15 years on this second loan, in addition to the monthly payments on their first mortgage loan.

	Option 1	Option 2	Option 3
Repayment	Deferred	Amortizing (monthly payments required*) over 15 years	Amortizing (monthly payments required*) over 15 years
Maximum DPA Amount	\$30,000	\$25,000	\$25,000
Home Purchased in	All communities in the Commonwealth of Massachusetts <i>Subject to income and 1st Mortgage Program eligibility</i>		
Interest Rate	0%	2%	3%
APR	0%	2%	3%
DPA Loan Must be Paid Off	Upon the sale of the property If the first mortgage is refinanced or paid off		

*Payment Amount Example: A DPA loan in the amount of \$25,000 at 2% would have 180 payments of \$160.88.

*Payment Amount Example: A DPA loan in the amount of \$25,000 at 3% would have 180 payments of \$172.62.





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



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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.
 - Issued by a Loan Officer
- Pre Approval
 - Based on *verified* financial information: credit report, income and assets.
 - Issued by an Underwriter – **Strongest Letter Available.**
- 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
- Large deposits must be documented
 - Deposits over 50% of monthly income
 - Keep detailed records and copies



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Where Do I Start?

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



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Thank you for attending the East Cambridge Savings Bank First Time Home Buyer Seminar!

A copy of this presentation will be emailed to you including a certificate for \$1,000.00 off closing costs.