MOREIRA TEAM MORTGAGE'S

SIMPLE STEPS TO FINANCING YOUR HOME

UPDATED 2015 INFORMATION

Moreira Team
TJC Mortgage

Written by: Alvaro R. Moreira

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This book is designed to be a detailed look at the entire mortgage process and to serve as a step-by-step plan to help you get the best and lowest interest rate possible. There is immense value within the following pages, so be sure to get a pen and paper as certain things are sure to stick out.

Just by reading these pages you will be more than prepared to attend your meeting with your mortgage professional with confidence. It is also the time when you reap the rewards from all the hours of reading books, saving money and hours of hard work.

So with that in mind we will go back to school. Except this time it is Mortgage University.

Everything You Ever Wanted to Know About Mortgages & Then Some

Let's start with the basics:
A mortgage is when a bank loans you money to buy a house. The word mortgage is also interchangeable with the phrase home loan. Now as you can imagine, no one except maybe your immediate family is in the business of loaning (or sometimes giving) money away without expecting a return on their investment. Therefore banks charge interest on their loans, as wells as numerous fees and points.

The Two Types Of Mortgages

No matter how creative Wall Street bankers get, the fact of the matter is there are only two types of mortgages: fixed or adjustable. You can further break those two down into various types of fixed and adjustable, but the essence always remains the same.

There are two little differences that can further separate fixed and adjustable. The first difference between fixed and adjustable is called "conventional" or "conforming" mortgages. The second difference is called "government insured" mortgages.

Conventional means the borrower and the mortgage amount falls within a specific set of guidelines and requires that the borrower put down a substantial down payment. Regular banks where you do your normal checking and savings usually offer conventional mortgages, but there are also conventional mortgage lenders. The guidelines for conventional or conforming mortgages tend to be strict and unforgiving when it comes to lower credit scores or a small amount of savings available to use for your down payment and closing costs.

Government insured loans means that the U.S. Housing and Urban Development Program (HUD) offers a federal insurance program which provides extra protection against default for the mortgage lenders. These programs include Federal Housing Authority (FHA), Veterans Administration (VA) and U.S. Department of Agriculture Rural Development (USDA) loans.

It is much simpler to think of all mortgages as fixed or adjustable, so that you can keep the insanity out of your mind. I have given you the major terms, phrases and definitions that you need to know to make an informed decision. If you are like me, then you don't want to worry about the dozens of variations of these two types of mortgages.

So, here is a simple guide to help you:

1. **Fixed Mortgages** – Includes 30, 25, 20, 15 or 10 year term periods. With fixed mortgages, you always make the same payment each month. You just choose how long you want to be paying the same payment. There are also fixed balloon mortgages which are fixed for a period of time but then require you to make a lump sum payment all at one time at the end of the loan term. Balloon mortgages are pretty scary…even from a mortgage professional's point of view.

2. **Adjustable Rate Mortgages** (ARM) – these mortgages do just what their name implies – adjust. You may have one month, one year or ten years, but at some point they will adjust. What the mortgage lenders do to come up with an adjustable mortgage rate is borrow money from huge global banks such as the London Interbank Offer Rater (LIBOR), the 11th Federal Home Loan Bank District Costs of Funds (COFI), U.S. Treasury Bills, or Certificates of Deposit (CDs). Whatever the interest rate those global banks charge the mortgage lenders is referred to as the index. The mortgage lenders then add on their profit markup to the index and the profit markup percentage that is called the margin.

Here are some of the more popular ARM programs:

- **Traditional ARMs** – The interest rate starts out with a low rate to entice you to sign-up (called a teaser rate), then begins its slow or not-so-slow climb upward each month or whatever agreed upon time frame you selected.

- **Interest Only ARMs** – You only pay the interest each month for the specified time period you selected, and when the time elapses you begin paying the additional principal and interest payment.

- **Hybrid ARMs** – these are usually shown as 3/1, 5/1, 7/1 or 10/1. This means they are fixed for 3, 5, 7 or 10 years and then adjust every year after the specified period of time.

If you thinking of choosing an adjustable rate mortgage then you need to know the following before you sign:

- **Starting interest rate:** This is your initial interest rate.

- **Adjustment period:** Your option of having your rate change monthly, biannual or annual, and if you choose this mortgage you should always choose annual.

- **Index:** The cost for your mortgage lender to borrow the money. You should choose a slow changing index life (COFI) because as your lenders index rate goes up so does yours.

- **Life-of-the-loan cap:** This is the highest interest rate your mortgage will go up to.

- **Periodic cap:** This limits how much the interest can adjust in a one-year period.

- **Low margin:** This is the mortgage lenders profit margin which should be around 2.75 percentage points.

- **Prepayment Penalty:** A penalty for paying your mortgage off early - Usually around six month's worth of mortgage payments. There should never be a prepay penalty – why should you get penalized for paying off your mortgage sooner?

- **Negative amortization:** When you make the minimum monthly payment it is actually lower than what you really owe. The difference between the minimum payment and what a regular payment should be is added to your total mortgage at the end of the year. You could end up owing more than you borrowed when you make the minimum monthly payment.

- **Assumability:** You may be able to sign over your mortgage to your homebuyer when you sell – it is called an assumable mortgage when this happens.

Interest Rates

When buying a home the interest rate is one of the most important factors, so I will give you some insider tips and suggestions. So, here are three pieces of information you should know about the interest rate when borrowing money:

- The base interest rate. The interest rate the mortgage professional secured from the lender for your mortgage.
- The Annual Percentage Rate (APR). The total cost of your loan including the closing costs that are divided over the number of years of your loan. (This number will be different than the base interest rate which does not have any fees or closing costs factored in)
- The lifetime cost of the loan. The big scary number that shows you how much you are paying back over the next thirty years.

Here is a chart to further illustrate the point of the impact of interest rates on your mortgage:

Monthly Payments for $250,000 (30 Year Fixed Rate Mortgage)	
This chart shows you how your monthly payment can change based on the interest rate. (Taxes, insurance and other payments not included)	
5.0%	$1,342
5.5%	$1,419
6.0%	$1,498
6.5%	$1,580
7.0%	$1,663
7.5%	$1,748
8.0%	$1,834
8.5%	$1,922
9.0%	$2,011
9.5%	$2,102
10.0%	$2,193

So What is Better, Fixed Or Adjustable?

The best mortgage for you depends on your goals and needs. Only you and your family can make the ultimate decision, but here is a chart to guide you in making your decision.

Mortgage Program Selection Guide	
You should get a fixed interest rate mortgage… (***Includes 30, 25, 20, 15 or 10 year term periods.)	If you: • Want stability • Want peace of mind • Are risk-adverse • Do not know if you will ever get a raise that is more than the rate of inflation • Do not ever want to move again • Have your ultimate dream home • Have a long term plan for the house
You should get an adjustable rate mortgage… (***Includes, 3/1, 5/1, 7/1, 10/1, Interest Only ARMs, Hybrid ARMs)	If you: • Plan on moving in the next three to five years • Make seasonal income that varies dramatically • Do not mind a little risk • Have significant savings • Bought a starter home knowing you will outgrow it quickly • Do not really like the house, but it works for now • Manage your finances well • Have a strong financial markets background and understand how financial markets operate.

The Truth About Points, Fees And Yield Spread

When obtaining a mortgage, points and fees are terms you should know and understand. They are lumped into two major categories:

- **Mortgage Points** – You may be offered to pay points to get a lower interest rate or you may be charged a point by the mortgage lender for originating your mortgage. If you are paying points to get a lower interest rate it is called discount points. Points are equal to 1% of your loan amount. So if your mortgage is $250,000 then one point is $2,500.

- **Mortgage Fees** – Fees are the costs that you pay because you are getting a mortgage. You must be careful in this area because some mortgage lenders will really pile them on, but generally speaking here are the major ones you should expect to pay:

  -Appraisal: Lenders require appraisals to determine the home value before they make a lending decision.

  -Attorney Fee/Escrow Fee/Settlement Fee: Every mortgage closing needs a third party to handle the closing and disperse funds.

  -Credit Report: Your lender will not make a lending decision without reviewing your credit reports. Make sure you receive a copy.

  -Courier Fee: In some cases there are several documents that are required to be shipped overnight.

  -Flood Certification: Your house must not be in a flood plain and to determine this you must pay a fee.

  -Processing Fee: Every mortgage has a fair amount of paper work that requires a gatekeeper for completing and submitting paperwork to lenders.

  -Recording Fee or Reconveyance Fee: In order to make your sale final and legally binding, your mortgage paperwork has to be documented at the courthouse.

  -Tax Service Fee: Lenders always make sure that your taxes on the house are paid current before you close.

  -Title Insurance: This one-time fee protects you against other people making a claim that they are the rightful owners of your home. This is required by law.

  -Title Review: In some cases your attorney will charge a separate fee for reviewing all of the past records for your title.

  -Underwriting Fee: Every lender charges an underwriting fee to perform all of the necessary evaluations before lending you money.

The Different Types of Mortgage Lenders

It may come as a surprise to you but not all mortgage lenders are created equal. As a matter of fact, the majority of mortgage lenders do not have access or knowledge of the best mortgage programs. However, it is not entirely their fault. They just happen to work for banks or companies that only allow them to offer homebuyers a few simple choices. Unfortunately, that means that you the bargain hunter may miss out on some of the juiciest programs. So, try to choose a direct lender/mortgage broker hybrid when buying as they usually have access to the best programs.

There are three main types of mortgage providers who can provide you with a mortgage:

- **Direct Lender/Mortgage Bank** – These are banks, credit unions or any other type of financial institution that loans you their own money. They benefit directly from your mortgage payments each month as you pay off your interest. They will often "sell" your mortgage for an upfront fee to another investor who views the interest as a return. Direct lenders usually charge a little less for providing your mortgage, but only have access to their mortgage programs. They also tend to not have a wide variety of down payment options or mortgage programs.

- **Mortgage Broker** – These are independently authorized mortgage companies which do not lend their own money, but act as middleman to dozens of mortgage programs offered by many banks all over the nation. Mortgage brokers tend to charge slightly higher fees, but have unlimited access to mortgage programs and down payment assistance programs, which can add up to tens of thousands of dollars in savings over the life of your loan. Mortgage brokers are especially useful when you buy a foreclosure because they have specialized expertise.

- **Direct Lender/Mortgage Broker Hybrid** – These are entities that are direct lenders and also have the ability to broker loans. They are the best of both worlds because they have the low cost of a bank, the array of programs and the ability to shop different programs like a mortgage broker. Direct lender/mortgage broker hybrids have access to a variety of down payment options and just about every loan program available out in the market place.

In this next section I will cover the questions that first-time homebuyers should ask their mortgage professional about their mortgage loans. I will also review the major mistakes many new homebuyers make during the purchasing process and help dispel some of the myths that surround FHA loans.

The Truth About FHA Mortgages

Once you have placed an offer on a home and placed an earnest money deposit, if required, on the house, then the next step is to obtain financing for your home. As a new homebuyer, you should be aware of how this process works. These questions and answers will help educate you on the process and how this applies to an FHA loan.

- **What type of guidelines do I have to meet for an FHA loan?**
  Since FHA loans are considered the easiest mortgage loan to qualify for and the most flexible, the guideline you need to meet are not that difficult.

  You must have:

  - At least two years of steady employment, preferably with the same employer.
  - Income over the last two years that has been steady or has increased.
  - If you have filed for bankruptcy in the past, it must be at least one year from a chapter 13 and two years from a chapter 7 with a good credit record since filing.
  - A mortgage payment that equals approximately 36% of your gross income or less, which is based on the purchase price of the house, your other monthly bills, income, and current interest rates.

- **After I fill out the mortgage application, how long do I have to wait for an answer?**
  Getting an answer on whether or not you are accepted for the loan you applied for can take anywhere from 7 to 21 days. If you are required to provide the loan officer additional documentation – such as an explanation of items on your credit report – this could affect the time it takes to get an answer. The faster you provide the information, the faster you will get an answer. The lender reviewing your application will also be requesting an appraisal of the property, a copy of your credit report, verification of your employment information and banking records.

- **How much do I need for a down payment if I qualify for an FHA loan?**
  Most loans require a down payment that equals approximately 5% - 10% of the purchasing price, but most applicants qualify

for a 3.5% down payment on an FHA loan. FHA will allow applicants to use money that is given to them from a family member or a friend for their down payment.

- **What will the annual percentage rate on my loan be? Is it the same as the interest rate on my loan?**
  The annual percentage rate (APR) is not the same as the interest rate on your loan. The interest rate on your loan is the percentage you pay per so many dollars you borrow. This is the fee the lender charges you to borrow the money.

  The APR is a value that reflects the actual cost of borrowing the money and it includes all of the fees that go with purchasing your home. Because each loan is different, your APR will be different than someone else's. There is no set number because the government uses a special formula to calculate this number. This number is determined by taking the amount of money you are borrowing and adding the closing costs on the loan and any other fees accumulated to the borrowing amount. All of the interest that you will be paying over the length of the loan – usually 30 years for an FHA loan – is added into the figure and it is then broken down into the rate, reflected as percentage.

  Say you borrow $250,000 to pay for the home. Your closing costs are $2000, and additional fees equal $3,700. Your APR will be determined by how much interest is paid on $255,700 over 30 years, and then broken down into a percentage.

- **What about the interest rate on my loan? Is it locked in place until I close or will it change?**
  The interest rate on your loan you received as your initial quote may be different from your final closing, unless you submit a complete mortgage application, a purchase and sales contract, and all your financial documents upfront. The

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interest rate can fluctuate with the market and most companies will no longer lock a rate into place until they have all of three of these documents on file. If you want to get the best rate, then you should submit the necessary items as soon as possible.

- **Will I get penalized if I pay off my mortgage loan before the end of the term?**
  There is no prepayment penalty, but you should verify this information with your mortgage company after you have secured your loan to be sure. Each lender is a little different, so it is better to err on the side of caution and assume nothing. It would be horrible to pay off your home to find out that you still owe the lender because of a prepayment penalty amount.

- **What could delay the approval of my mortgage loan?**
  There are many things that could delay your approval and most of them are usually in your control. Make sure you provide your mortgage lender with any documentation requested quickly in order to meet your timelines. Not having your tax filings up to date is a common issue that can delay mortgage approvals.

The Myths About FHA Mortgages

Anyone who is interested in securing an FHA mortgage for their home may hear a bunch of things about FHA loans that are not necessarily true. There are a ton of untrue rumors such as FHA mortgages have difficult requirements to meet, needing perfect credit, or having to have a large down payment. Hearing these types of things could make a potential new homebuyer nervous about buying a home. In this section I'm going to debunk these myths so that you truly understand how easy it really is to secure one of these versatile loans and get the home of your dreams.

- **Myth #1 – The government loans you the money for your home.**
  The FHA does not loan you money. The FHA simply insures the money that a bank, credit union, or other financial institution loans you. If you default on the mortgage, the FHA pays the lender the money you owe. This is one of the reasons why banks are able to loosen up their requirements for home loans. They are actually taking less of a risk on you because of the government's promise to pay them.

- **Myth #2 – Your credit score does not matter when it comes to an FHA loan.**
  FHA lenders base their decision not only on your FICO or credit score, but on your actual credit history over the last two or more years. The state of your credit history is more important and they are looking for the way you make your payments – on time or late – and patterns of payment. The FHA will also take into consideration utility bill payments, rental history, phone bills, and other monthly bills that can help determine your credit worthiness.

- **Myth #3 – You get a better deal with an FHA loan.**
  Well, like most things it depends. Yes, this type of loan carries fewer risks for your lender and you get charged less by them, but they are not always the better deal. The FHA makes their money from the insurance that is paid to them. FHA loans are the better deal if you have low to moderate income, a high debt to income ratio or blemished credit, including a past hard ship like bankruptcy or foreclosure.

- **Myth #4 – You will have to wait longer for an FHA loan approval.**
  This is a big, resounding no. Thanks to the Internet, computers allow for automated underwriting and paperless processing, so it does not take the FHA any longer to approve a loan that it does a conventional loan. If you are under the care of an FHA educated loan officer, the process could even go faster

as the paperwork and any documentation needed is submitted all at once instead of piecemeal.

- **Myth #5 – There is a ton of extra paperwork associated with an FHA loan.** This is another big resounding no. Conventional loans and FHA loans have pretty much the same amount of paperwork that need to be filled out and submitted. The FHA loans do require a few different, extra documents that need to be filled out, but they are designed to protect you while you are going through the process of securing the loan. Plus, with the ability to print off most of the documents with your demographic information – address, phone number, income, etc. – already filled in, the most you will need to do is initial a few more pages.

- **Myth #6 – I'm going to pay more for an FHA loan than a conventional one.** I'm not sure how this particular myth got started, but the interest rate that is used on a conventional loan is the same that is used on an FHA loan. Both are based on the current market factors and interest rates that are in force at the time of price locking. As a matter of fact, most of the time the FHA mortgage payment is less expensive than a conventional loan. First time buyers with an FHA loan actually make out better because their FICO score is not used to base interest rates on. Even with the FHA insurance premium rolled into the loan, the monthly amount could be less.

- **Myth #7 – The FHA mortgage insurance is unaffordable.** Not really. Any loan in which 80% or more of the property value is financed must carry mortgage insurance, whether it is a conventional loan or an FHA loan. This is in place so that a portion of the loan is paid to the lender if the borrower defaults on their payments. The previous rule stated that that all buyers had to pay 20% down in order to get a mortgage. This is no longer the case. FHA requires 1.75% upfront insurance. This is financed into your loan. Additionally, 1.35% per year is also added and divided up over your payments. This is a total of 2.10%, which is still lower than the insurance rate being charged on some conventional loans.

- **Myth #8 – The guidelines for an FHA loan is very restrictive.** Once again, the answer here is no. FHA loans are actually very easy on borrowers. They have a higher maximum loan amount now and they do not require an income restriction. Buyers with credit history issues will find an FHA loan easier to obtain. Plus, FHA loans allow underwriters to actually look at the loan application and use common sense techniques to help decide whether or not you can actually afford to pay your mortgage. FHA loans also allow for a no re-qualifying refinance process if the interest rates should drop drastically, allowing borrowers to refinance for a lower monthly payment.

Applying For Your Mortgage

When you are meeting with your mortgage professional, you should come prepared. I have seen it take weeks for some buyers to get their paperwork together for an appointment and I have seen other people do it in minutes. Generally speaking here is the information you want to bring to your appointment:

- W2's from the last two tax years
- Last two years of complete tax returns
- Two most recent paystubs
- Previous two months of bank statements
- Rent payment receipts for the last 12 months
- Proof that you have the 3 – 5% of purchase price for the down payment
- Basic forms that verify your identity, mortgage loan application and employment history

Once your mortgage professional has this information in hand, you will receive your pre-approval letter and a Good Faith Estimate. The Good Faith Estimate is a form that gives you all of fees and information about your mortgage. Keep in mind that it is an estimate, but it should be within 10% of the final numbers for your mortgage.

The Four Factors 0f Getting Your Mortgage Approvals Fast & Easy

There are four major factors that will determine your mortgage approval and the interest rate you will be paying.

1. **Income** – Have you had continuous employment for the last twenty-four months and if so, how much have you averaged per month? Remember to keep your base salary separate from over-time and bonuses, because lenders calculate those two numbers very differently as they are not stable and reliable enough to merit the same weight as salary.

    - ***High Income Earners*** - Just because you make $150,000 per year does not mean you are not hourly. Take a look at your paystub and you will find that your employer graciously took the time to break it down for you.

    - ***Self-Employed*** – All the hard work you and your tax professional put into minimizing your tax liability could really hurt you. Here is why: lenders look at your net taxable income for the tax year, not your gross income. Meaning if your half a million dollar a year business deducted every possible penny you could and only showed you with a net taxable income of twenty five thousand dollars for the tax year, then that is all lenders can use to qualify you for a mortgage. A paltry twenty five thousand dollars. I know…I know, it is not right, but that is the way it is in Mortgageville.

2. **Credit** – Does your credit reports reflect steady payment history and the ability to manage your finances or does it show a person who rarely pays bills on time? Lenders want to see at least a 620 middle credit score.

3. **Loan-To-Value (LTV)** – Are you looking to essentially finance every single penny that you can or are you putting a sizable down payment? Lenders are limiting their financing to about 97% for first-time homebuyers in the current economy. If the purchase price is $250,000 and you have $7,500 for a down payment and closing costs, then you are borrowing $242,500. That means that you have a 97% LTV.

    EXAMPLE:

    $250,000 purchase price - $7,500 down payment = $242,500
    $242,500 / $250,000 = .97 or 97% LTV

4. **Rental Payment History** – Can you prove you have been paying your rent on time the last twelve months? This can be easily shown by receipts and check stubs. If not, then you are viewed as more of a credit risk.

Why You May Be Getting a Different Interest Rate Than Promised

Over the years, there have been many times when homebuyers have become upset because they were promised an interest rate from another mortgage professional who couldn't deliver on his promise. When I dug a little deeper, I discovered that the interest rate they "thought" they were getting was actually quoted over the phone or seen in an online advertisement and did not accurately reflect their true income, credit and overall risk level from a lender's perspective.

So here are some of the occasions in which you might find yourself getting a dramatically different interest rate than what you heard on the radio, saw on TV or read in the newspaper:

- **You chose a different mortgage type.** Many times lenders will put the most attractive rates in their ads. However, they neglect to mention less than one percent of the population qualifies for these programs

- **On paper you look risky.** There is no substitute for having good credit and consistent income. If you do not have either then you may have a good story to tell, but on paper you look risky

- **You are almost borrowing what the house is worth (High LTV).** Since the days of one hundred percent financing are long gone except for a few niche programs, most buyers are only putting down 3%-5%, which means that you are financing 97% - 95% of the property value. This usually results in a higher interest rate. The only exception to this rule is if you are using an FHA mortgage.

- **Your loan cannot be resold on the secondary market.** Banks view mortgages as investments, so they will package ten or twenty mortgages together and sell them as an investment package to other banks. So, if they have a group of ten thirty year fixed mortgages with six percent interest rates, they will expect a six percent return each year for thirty years. However, if you are viewed as risky, then they might not be able to sell your mortgage to other investors, and so you represent more risk to them

- **Your loan has points.** The mortgage rate you saw online or were told likely included paying points in order to advertise a lower rate. However, if you stated you did not want to pay points to your mortgage professional then you may get a higher interest rate. The points are used to buy down and lower the interest rate, which increases your cost.

Coming Up With Your Down Payment

There are a couple of ways to come up with the down payment money for your new home purchase. The best and most recommended way to come up with the funds is to tap your network of friends and family for a gift or loan.

Just so you know what everyone else does when they are faced with this situation, here are traditional places that most people use to pay for their down payment:

1. Your 401k
2. Your IRA
3. Borrow from friends and family
4. Down payment gift money from friends and family
5. Downsize the wedding and use the difference you save
6. Your current savings

Gift Money From Family And Friends

If you find yourself thinking about asking friends and family for financial help with your down payment, you are not alone. According to the National Association of Realtors, about 25% of first-time homebuyers get some form of financial assistance from family and friends. Actually, they are the best source of help when buying a home because unlike a lender, family and friends will also be there to help you with the brand new responsibilities of homeownership.

When you are first contemplating approaching family or friends for financial assistance it is best to be prepared with your mortgage pre-approval letter and a standard letter explaining what the money will be used for; called a gift letter. The mortgage pre-approval letter answers any asked or unasked questions regarding the legitimacy of your intent to use the money for a home as well as details exactly how much you will need to come up with to close. The gift letter outlines exactly where the funds will be going.

The Necessity of The Gift Letter

There is also a second and more important reason to have a properly worded and structured gift letter. Your mortgage lender will require written documentation to verify many key factors of the down payment gift you are receiving, such as:

- The amount of the gift money.
- Your relationship to the gift giver.
- The address and contact information of the gift giver.
- Exacting wording stating the money you are receiving is NOT a loan and does not have to be repaid.

If the funds stay in the giver's bank account or possession until the closing date, then you must also take the time to let your gift giver know that they will have to provide:

- Account holder's financial institution
- Account number
- Written authorization to give the mortgage lender permission to contact financial institution to verify the gift

I have a word of caution when you are going the family gift route. Both you and the gift giver should sit down and choose whether or not to disclose to other family members exactly what is going on. This is the best way to avoid issues and interpersonal conflicts that sometimes cause family rifts.

When receiving gift money from your friends or family, properly document the gift with your gift letter.

Borrowing Down Payment Funds From Family And Friends

If you do not have family or friends who will gift you the needed money to buy your home, then you may want to consider borrowing the money from them to purchase your home. When your family, friends or any other non-bank party loans you money they are considered a private lender. You may be thinking "why would my family or friends want to loan me the money to purchase my home, especially when the purchase prices of homes in certain cities are well over three hundred or four hundred thousand dollars?" Well, there are some very significant benefits personal lenders may enjoy, such as:

- **Better return rates than banks** – Take a few minutes to shop online for return rates at your local bank and you will quickly see money markets and certificates of deposits are not paying four, five or six percent returns on your money when you invest with them. A private lender will get a better return on each dollar when loaning to you than they would get by keeping their money at a bank.

- **Residual passive income** – By lending you the money, your private lender will receive monthly payments each month as opposed to the occasional payout from regular investments.

- **Lower risk when you know the borrowers personally** – Your private lender can rest a little easier since they know you personally. If they are willing to consider loaning you the money, then you have most likely built up some level of trust. Secondly, they also have the reassurance of having the home as collateral if it ever comes to the point that you have to sell the home to make good on the loan.

- **Feeling good for helping someone they love** – The bond of friendship and parental love often times inspires those around you to desire to help you get ahead in life. Sometimes it is equally as important that loved ones have a chance to help you out as it is for you to be helped.

The Benefits You Receive From Borrowing From Family And Friends

There are also some very attractive reasons for you to borrow from people you know and love, such as:

Lower interest rates and tax deductions – It is common for family and friends to loan you money for one to two percent lower than a traditional financial institution. This equates to tens of thousands of dollars over the life of your loan. Additionally, when you properly document the loan you can also realize mortgage interest deductions.

Very flexible repayments plans – A traditional financial institution will never allow you to take several months off from making payments or agree to allow you to make quarterly payments. However, with a private lender, your life situation may require you to ask for some additional flexibility, which has a chance of being permitted.

Zero loan fees or points – It is very unusual for family and friends to charge you anything for coordinating the loan. They usually are very happy with their five or six percent return each month.

Flexible guidelines to qualify – Your private loan approval is simply based on how well the family member or friend trusts you. There is no requirement for outstanding credit scores.

Possibly no private mortgage insurance – If you have a generous lender who will allow you to borrow more than 20% of your purchase price, then you can avoid the often times annoying Private Mortgage Insurance (PMI) which can equate to thousands of dollars in savings each year.

No long drawn out approval process – There are no loan underwriters, loan officers, quality control inspectors or anyone else except you and the private lender to understand and agree to the terms of the loan.

You Need How Much For What?

There are few things which are more uncomfortable than asking for money from a family member or friend; however, it is much easier when you are prepared with the relevant information, such as:

- **How much you need to borrow** – Try to be as specific and accurate as possible, because it is very difficult to return back and ask for more money.

- **The specific interest rate you will be paying back** – As a general rule of thumb, the higher the interest rate you are paying back, the better it is viewed.

- **Your repayment schedule** – This would be your time table to pay the money back over a period of time.

- **The amount of money you are contributing to the down payment** – If you are putting in ten thousand dollars of your own money it might make the other party more comfortable knowing you have skin in the game.

- **Information about how strong your financial ability is to repay the loan** – This could be the length of time at a job, your two most recent paystubs and last year's W2's.

- **What type of financial security you offer the lender** – Talk about the fact that you have disability insurance or unemployment insurance, which covers the amount of your monthly payment.

- **The monetary benefits to the lender** – Do not assume that the other party realizes how much of a return they will get for loaning you the money. Discuss how much they'll make over the life of the loan to you.

The Joys of Seller Financing

Believe it or not, there are times when the seller will act as your mortgage lender. The seller does this by providing you with a lump sum of money in the form of a second mortgage, or even your entire mortgage, doing what is called a “seller-held second” or “seller carry back.” In some cities these types of options have become increasingly more popular. Incredulous as this may sound, there are some very legitimate reasons why the seller would extend this great benefit to you, such as when:

- It is difficult to sell a home because the market is slow or the home needs some work.
- The house has a lot of built up equity and the seller does not want to take the tax hit all at once when selling, so by accepting monthly payments the tax liability is decreased.
- The seller can sell for a higher asking price by having flexible loan terms.
- The seller wants a steady income stream to supplement retirement income instead of receiving a lump sum of cash all at once.

Whatever the reason the seller offers financing, you should be prepared to take advantage of the offer when needed, but also be prepared to give up some negotiating power because the seller knows you most likely need their financing. In most cases the length of time you should expect from the seller to repay the loan will be anywhere from three to five years. At the end of the term you will be expected to pay off the balance of the loan by refinancing with a traditional mortgage lender. This is defined as a balloon payment because of the large lump sum which is due at the end of the loan term.

In return for giving up some negotiating terms in exchange for seller financing you may also want to ask for:

- No early prepayment penalty when you refinance or pay off the loan early.
- Lower monthly payments in the beginning because you will have a balloon payment at the end of the loan term.
- Lower interest rate because it is seller financing.
- Longer time length before the balloon payment is due, preferably five to seven years.
- Flexibility to transfer the second mortgage to a qualified buyer in the event you sell your home before the loan term is up. This is referred to as assuming the mortgage.

Home Loan Helpful Resources

In this chapter you will find a glossary of important mortgage terms. To make finding what you're looking for a little easier just choose the first letter of the word and you will be directed to the page it is lcated on.

A	B	C	D
E	F	G	H
I	J	K	L
M	N	O	P
Q	R	S	T
U	V	W	X
Y	Z		

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Adjustable Rate Mortgage (ARM):
Mortgage loans under which the interest rate is periodically adjusted to more closely coincide are agreed to at the inception of the loan.

Alternative Documentation:
The use of pay stubs, W-2 forms, and bank statements in lieu of Verifications of Employment (VOE) and Verifications of Deposit (VOD) to qualify a borrower for a mortgage.

Amortization:
The systematic and continuous payment of an obligation through installments until the debt has been paid in full.

Annual Percentage Rate (APR):
A term used in the Truth-in-Lending Act to present the percentage relationship of the total finance charge to the amount of the loan. The APR reflects the cost of the mortgage loan as a yearly rate. It could be higher than the interest rate stated on the Note because it includes, in addition to the interest rate, loan discount points, miscellaneous fees and mortgage insurance.

Appraisal:
A report made by a qualified person setting forth an opinion or estimate of property value. (Appraisal also refers to the process through which a conclusion on property value is derived.)

Appraisal Amount or Appraised Value:
The fair market value of a home determined by an independent appraisal. The appraisal uses local real estate market sales activity as a major basis for valuation.

Appreciation:
An increase in the value of a property due to market conditions or other causes. The opposite is depreciation.

Balloon Mortgage:
A fixed-rate mortgage for a set number of years and then must be paid off in full in a single "balloon" payment. Balloon loans are popular with borrowers expecting to sell or refinance their property within a definite period of time.

Bankruptcy:
Legal relief from the payment of all debts after the surrender of all assets to a court-appointed trustee. Assets are distributed to creditors as full satisfaction of debts, with certain priorities and exemptions. A person, firm or corporation may declare bankruptcy under one of several chapters of the U. S. Bankruptcy Code: Chapter 7 covers liquidation of the debtor's assets; Chapter 11 covers reorganization of bankrupt businesses; Chapter 13 covers payment of debts by individuals through a bankruptcy plan.

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Cap:
The limit placed on adjustments that can be made to the interest rate or payments such as the annual cap on an adjustable rate loan (ARM) or the cap on a rate over the life of the loan.

Cash-out Refinance:
To refinance the mortgage on a property for more than the principal owed. This allows the borrower to get cash from the equity in their home. Loan products may vary on how much can be borrowed on a cash-out refinance.

Certified Mortgage Specialist (CMS):
The Certified Mortgage Specialist is the professional sales associate who communicates the needs of the agent and borrower to the operation team.

Client Coordinator (CC):
The Client Coordinator sets the tone throughout the application process and ensures that each customer is kept informed of all needs and status through clear and concise communication.

Closer:
The person who coordinates the closing time with the Client Coordinator and reviews and prepares the necessary closing documents.

Closing:
Also known as settlement, the finalization of the process of purchasing or refinancing real estate. The closing includes the delivery of a Deed, the signing of Notes and the disbursement of funds

Closing Costs:
Costs that are due at closing, in addition to the purchase price of the property. These costs normally include, but are not limited to, origination fee, discount points, attorney's fees, costs for title insurance, surveys, recording documents, and prepayment of real estate taxes and insurance premiums held by the lender. Sometimes the seller will help the borrower pay some of these costs.

Closing Statement:
An accounting of the debits and credits incurred at closing. All FHA, VA and Conventional financing loans use a Uniform Closing or Settlement Statement commonly referred to as the HUD-1.

Co-Borrower:
A party who signs the mortgage note along with the primary borrower, and who also shares title to the subject real estate.

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Collateral:
Property pledged as security for a debt. For example, real estate that secures a mortgage. Collateral can be repossessed if the loan is not repaid.

Combined Loan To Value (CLTV):
The mathematical relationship between the total of all loan amounts (first mortgage plus subordinate liens) and the value of the subject property.

Community Reinvestment Act (CRA):
This act requires financial institutions to meet the credit needs of their community, including low and moderate-income sections of the local community. It also requires banks to make reports concerning their investment in the areas where they do business.

Condominium:
A form of property ownership in which the homeowner holds title to an individual dwelling unit, an undivided interest in common areas of a multi-unit project, and sometimes the exclusive use of certain limited common areas. All condominiums must meet certain investor requirements.

Conforming Loan:
A loan with a mortgage amount that does not exceed that which is eligible for purchase by FNMA or FHLMC. All loans are considered as conforming or non-conforming, also known as jumbo.

Conventional Loan:
A mortgage loan not insured or guaranteed by the federal government.

Conversion Option:
Options to convert an adjustable rate mortgage or balloon loan to a fixed rate mortgage under specified conditions.

Co-Signer:
A party who signs the mortgage note along with the borrower, but who does not own or have any interest in the title to the property.

Creditor:
A person to whom debt is owed by another person who is the "debtor."

Credit Rating:
A rating given a person or company to establish credit-worthiness based upon present financial condition, experience and past credit history.

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Credit Report:
A document completed by a credit-reporting agency providing information about the buyer's credit cards, previous mortgage history, bank loans and public records dealing with financial matters.

Deal Structure:
An Underwriters review of certain aspects of a loan application that do not meet standard guidelines.

Debt to Income Ratio:
Compares the amount of monthly income to the amount the borrower will owe each month in house payment (PITI) plus other debts. The other debts may include but not limited to car payment, credit cards, alimony, child support, and personal loans. This ratio is commonly used to see if the borrower has the capacity to repay the debt.

Deed of Trust:
A legal document that conveys title to real estate to a disinterested third party (trustee) who holds the title until the owner of the property has repaid the debt. In states where it is used, a Deed of Trust accomplishes essentially the same purpose as a Mortgage.

Default:
Failure to comply with the terms of any agreement. In real estate, this is generally used in connection with a mortgage obligation to refer to the failure to comply with the terms of the Promissory Note. Most often this default is a failure to make payments; however, there are other means by which a borrower may default, such as the failure to pay real estate taxes. Depreciation: A decline in the value of property. This is the opposite of appreciation.

Discount Points:
A percentage of the loan amount which is charged or credited by the lender upon making a mortgage loan. Loans that are made at the present market rate, with no points, are considered to be made at "par." Because of the lender's ability to charge or credit points on an individual loan, the lender is able to tailor a loan program and interest rate to fit the needs of each individual borrower. Discount points can be negotiated in the Purchase Contract to be paid by either the seller or the borrower.

Each point equals 1% of the mortgage loan. For example, a charge of 1 point on a $50,000 loan would result in a charge of $500; 1/2 point would be $250 ($50,000 x .50%).

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Down Payment:
The part of the purchase price which the buyer pays in cash and does not finance with a mortgage.

Earnest Money:
Deposit made by a purchaser of real estate as evidence of good faith.

Equal Credit Opportunity Act (ECOA):
Also known as Regulation B. A federal law that prohibits a lender from discriminating in mortgage lending on the basis of race, color, religion, national origin, sex, marital status, age, income derived from public assistance programs, or previous exercise of Consumer Credit Protection Act rights.

Equity:
The difference between the current market value of a property and the principal balance of all outstanding loans.

Escrow Account:
An account held by the lending institution to which the borrower pays monthly installments for property taxes, insurance, and special assessments, and from which the lender disburses these sums as they become due.

Fair Credit Reporting Act:
Regulated the collection and distribution of information by the consumer credit reporting industry. It also affects how financial institutions collect and convey credit information about loan applicants or borrowers.

Fair Housing Act:
Prohibits the denial or variance of the terms of real estate related transactions based on race, color, religion, sex, national origin, disability, or familiar status of the credit applicant. Real estate related transactions include a mortgage, home improvement, or other loans secured by a dwelling.

Federal Home Loan Mortgage Corporation (FHLMC):
Also known as Freddie Mac. A publicly owned corporation created by Congress to support the secondary mortgage market. It purchases and sells conventional residential mortgages as well as residential mortgages insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA).

Federal National Mortgage Association (FNMA):
Also known as Fannie Mae. A privately owned corporation to support the secondary mortgage

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market, it adds liquidity to the mortgage market by investing in home loans through the country.

FICO Score:
A credit score given to a person that establishes creditworthiness based on present financial condition, experience and past credit history.

Finance Charge:
The cost of credit as a dollar amount (i.e. total amount of interest and specific other loan charges to be paid over the term of the loan and other loan charges to be paid by the borrower at closing). Loan charges include origination fees, discount points, mortgage insurance, and other applicable charges. If the seller pays any of these charges, they cannot be included in the finance charge.

Financial Statement:
A summary of facts showing an individual's or company's financial condition. For individuals, it states their assets and liabilities as of a given date. For a company it should include a Profit and Loss Statement (P&L) for a certain period of time and balance sheet, stating assets and liabilities as of a given date.

First Mortgage:
A real estate loan that creates a primary lien against real property.

First Rate Adjustment - First rate adjustment after:
In association with an Adjustable Rate Mortgage loan, this is the number of months after which the loan has closed when the first interest rate adjustment will occur.

First Rate Adjustment - Maximum rate decrease:
In association with an Adjustable Rate Mortgage loan, this is the most the interest rate can decrease during the first adjustment period.

First Rate Adjustment - Maximum rate increase:
In association with an Adjustable Rate Mortgage loan, this is the most the interest rate can increase during the first adjustment period.

Fixed Rate Mortgage:
The type of loan where the interest rate will not change for the entire term of the loan.

Floating:
The term used when a purchaser elects not to lock-in an interest rate at the time of application.

Flood Insurance:
Insurance that compensates for direct physical damages by or from flood to the insured property subject to the terms, provisions, conditions and

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losses not covered by the policy. It is required for mortgages on properties located in federally designated flood areas.

Good Faith Estimate (GFE):
An estimate of settlement charges paid by the borrower at closing. The Real Estate Settlement Procedures Act (RESPA) requires a Good Faith Estimate of settlement charges be provided to the borrower.

Gift Letter:
A letter or affidavit that indicates that part of a borrower's down payment is supplied by relatives or friends in the form of a gift and that the gift does not have to be repaid.

Gross Income:
A person's income before deduction for income taxation.

Hazard Insurance:
Insurance against losses caused by perils which are commonly covered in policies described as a "Homeowner Policy."

Home Maintenance:
Costs associated with maintaining a home. This may include, but not limited to general repairs, replacement or repair of furnace, air conditioning, roof, plumbing and electrical systems.

Home Mortgage Disclosure Act (HMDA):
Also known as Regulation C. The purpose of HMDA is to provide disclosure of mortgage lending application activity (home purchase or improvement) to regulators and the public. Information is collected on each application, and is recorded on a log that is compiled to produce a report on application activity by geographic designation (census tract).

Homeowners Association (HOA):
A non-profit corporation or association that manages common areas and services of a Condominium or Planned Unit Development (PUD).

Homeowners Insurance:
Insurance that covers damage to the insured's residence and liability claims made against the insured subject to the policy terms, conditions, provisions, losses not insured provision and exclusions.

Housing Expense Ratio:
Ratio used to determine the borrowers capacity to repay a home loan. The ratio compares monthly income to the house payment (Principal, Interest, Taxes and Insurance).

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Index:
In connection with ARM loans, the external measurement used by a Lender to determine future changes which are to occur to an adjustable loan program. These will typically be published rates that are independent of the Lender’s control, such as a Treasury Bill.

Initial Interest Rate:
The beginning interest rate at the start of an adjustable rate mortgage (ARM). It may be lower than the fully indexed rate or “going market rate” and it will remain constant until it is adjusted up or down on the adjustment date.

Interest:
The amount paid by a borrower to a lender for the use of the lender’s money for a certain period of time. The amount paid by a bank on some deposit accounts.

Interest Income:
The potential income from funds which would have been used for the down payment, closing costs, and any difference (increase) between monthly rental payment and monthly mortgage payment.

Interest Rate:
The percentage of an amount of money that is paid for its use for a specific time; usually expressed as an annual percentage.

Judgment:
Decree of a court declaring that one individual is indebted to another and fixing the amount of such indebtedness.

Jumbo Loan:
A loan above the limit set by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Also referred to as a non-conforming loan.

Late Charge:
An additional charge a borrower is required to pay as a penalty for failure to pay a regular mortgage loan installment when due; a penalty for a delinquent payment.

Lien:
A legal claim against a property that must be paid off when the property is sold. A lien is created when you borrow money and use your home as collateral for the loan.

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Life of Loan - Maximum rate decrease:
In association with an Adjustable Rate Mortgage loan, this is the most the interest can decrease over the life of the mortgage loan.

Life of Loan - Maximum rate increase:
In association with an Adjustable Rate Mortgage loan, this is the most the interest can increase over the life of the mortgage loan.

Loan Application:
A source of information on which the lender bases a decision to make or not make a loan; defines the terms of the loan contract, gives the names of the borrower(s), place of employment, salary, bank accounts, credit references, real estate owned, and describes the property to be mortgaged.

Loan Balance:
The amount of remaining unpaid principal balance owed by the borrower.

Loan Term:
Number of years a loan is amortized. Mortgage loan terms are generally 15, 20, or 30 years.

Loan-to-Value (LTV):
The ratio of the total amount borrowed on a mortgage against a property, compared to the appraised value of the property. A LTV ratio of 90 means that the borrower is borrowing 90% of the value of the property and paying 10% as a down payment. For purchases, the value of the property is the lesser of the purchase price or the appraised value. For refinances the value is determined by an appraisal.

Loan-to-Value Ratio:
The ratio, expressed as a percentage, of the amount of the loan (numerator) to the value or selling price of real property (denominator). For example, if you have an $80,000 1st mortgage on a home with an appraised value of $100,000, the LTV is 80% ($80,000 / $100,000 = 80%).
Lock-In: A written agreement between the lender and borrower for a specified period of time in which the lender will hold a specific interest rate, origination and/or discount point(s).

Margin:
Under the terms of an adjustable rate mortgage (ARM), the margin is a set adjustment to the index. The particular loan product determines the amount of the margin.

Median Income:
The middle income level. Half of the incomes would be higher than the median income and half of the incomes would be below the median income. This is not to be confused with an average income.

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Mortgage:
The written instrument used to pledge a title to real estate as security for repayment of a Promissory Note.

Mortgage Insurance:
Insurance written in connection with a mortgage loan that indemnifies the lender in the event of borrower default. In connection with conventional loan transactions, this insurance is commonly referred to as Private Mortgage Insurance (PMI).

Mortgage Note:
A written promise to pay a sum of money at a stated interest rate during a specified term. It is typically secured by a mortgage.

Mortgage Servicing:
Controlling the necessary duties of a mortgagee, such as collecting payments, releasing the lien upon payment in full, foreclosing if in default, and making sure the taxes are paid, insurance is in force, etc. The lender or a company acting for the lender, for a servicing fee, may do servicing. (Also called Loan Servicing.)

Mortgagee:
The institution, group, or individual that lends money on the security of pledged real estate; the association, the lender.

Mortgagee Clause:
This is the clause that is typically used for hazard insurance and flood insurance. For loans originated by the State Farm Bank it will read: State Farm Bank, F.S.B., Its Successor and/or Assigns, P.O. Box 2583, Ft. Wayne, IN 46801-2583.

Mortgagor:
The owner of real estate who pledges his property as security for the repayment of a debt; the borrower.

Net Income:
The difference between effective gross income and expense including taxes and insurance. The term is qualified as net income before depreciation and debt.

Non-Conforming:
A loan with a mortgage amount that exceeds that which is eligible for purchase by FNMA or FHLMC. All other loans above this amount are considered to be non-conforming or jumbo loans.

Non-Owner-Occupied Property:
Property purchased by a borrower not for a primary residence but as an investment with the intent of generating rental income, tax benefits, and profitable resale.

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Note:
A written promise by one party to pay a specific sum of money to a second party under conditions agreed upon mutually. Also called a "promissory note."

Note Rate:
The interest rate on the mortgage loan.

Origination Fee:
A fee paid to a lender for processing a loan application; it is stated as a percentage of the mortgage amount.

Origination Process:
Process in which a lender solicits business, gathers required information and commits to loan money, for the purchase of real estate.

Owner-Occupied Property:
The borrower or a member of the immediate family lives in the property as a primary residence.

PITI:
Term commonly used to refer to a mortgage loan payment. Acronym stands for Principal, Interest, Taxes, and Insurance.

PITI Ratio:
Compares the amount of the monthly income to the amount the borrower will owe each month in principal, interest, real estate tax and insurance on a mortgage. Lenders use it in deciding whether to give the borrower a loan. Also called "income-to-debt" ratio.

Planned Unit Development (PUD):
A housing project that may consist of any combination of homes (one-family to four-family), condominiums, and various other styles. In a PUD, often the individual unit and the land upon which it sits are owned by the unit/homeowner; however, the homeowner's association owns common facilities.

Pre-Approval:
A process in which a customer provides appropriate information on income, debts and assets that will be used to make a credit only loan decision. The customer typically has not identified a property to be purchased, however, a specific sales price and loan amount are used to make a loan decision. (The sales price and loan amount are based on customer assumptions)

Pre-Qualification:
A process designed to assist a customer in determining a maximum sales price, loan amount

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and PITI payment they are qualified for. A pre-qualification is not considered a loan approval. A customer would provide basic information (income, debts, assets) to be used to determine the maximum sales price, etc.

Prepaid Expenses or Prepaids:
The term used to describe the funds the Lender requires to be deposited to establish the escrow account for taxes and insurance at the time of closing (also refers to Prepaid Interest).
Prepaid Interest: Interest that the borrower pays the lender before it becomes due.

Prepayment:
A loan repayment made in advance of its contractual due date.

Prepayment Penalty:
A penalty under a Note, Mortgage or Deed of Trust imposed when the loan is paid before its maturity date.

Principal and Interest:
Two components of a monthly mortgage payment. Principal refers to the portion of the monthly payment that reduces the remaining balance for the mortgage. Interest is the fee charged for borrowing money.

Principal Balance:
The outstanding balance of a mortgage, not counting interest.

Principal, Interest, Real Estate Tax, Insurance Payment:
The total mortgage payment which includes principal, interest, taxes and insurance.
Private Mortgage Insurance (PMI): Insurance against a loss by a lender in the event of default by a borrower (mortgagor). A private insurance company issues this insurance. The premium is paid by the borrower and is included in the mortgage payment.

Processing:
Gathering the loan application and all required supporting documents (including the property appraisal, credit report, credit history, and income and expenses) so that a lender can consider the borrower for a loan.

Promissory Note:
A document in which the borrower promises to pay a stated amount on a specific date. The note normally states the name of the lender, the terms of payment and any interest rate.

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Property Taxes:
Taxes assessed on real estate. Property taxes are based on valuations by local and or state governments.

Purchase Agreement:
A written agreement between a buyer and seller of real property that states the price and terms of the sale.

Purchase Price:
The total amount paid for a home.

Qualifying Income Ratios:
Income analysis used by lenders in deciding whether to offer the borrower a loan. One type of analysis compares only the amount of the proposed monthly mortgage payment to the monthly income. Another compares the amount of the total monthly payments (for example car, credit card and proposed mortgage payments) to the monthly income.

Rate Index:
An index used to adjust the interest rate of an adjustable mortgage loan.

Real Estate Appreciation Rate:
Percentage increase in the value of real estate, expressed at an annual rate.

Real Estate Settlement Procedures Act (RESPA):
A consumer protection law that requires, among other things, lenders to give borrowers advance notice of closing costs.

Realtor:
A person licensed to negotiate and transact the sale of real estate on behalf of the property owner. A real estate broker or associate must hold active membership in a real estate board affiliated with the National Association of Realtors.

Recording Fee:
The amount paid to the recorder's office in order to make a document a matter of public record.

Regulation Z:
Federal Reserve regulation issued under the Truth-in-Lending Act, which, among other things, requires a credit purchaser to be advised in writing of all costs connected with the credit portion of the loan.

Rental Payment:
A payment made to use another's property. The amount of the rent is determined in a contract and is typically paid monthly.

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Renters Insurance:
Insurance against perils which are commonly covered in policies described as a "Renters Policy".

Repayment:
The payment of a mortgage loan over a period of time established when the loan is originated.

Rescind:
To avoid or cancel in such a way as to treat the contract or other object of the rescission as if it never existed.

Sales Contract:
A written agreement between parties stating all terms and conditions of a sale.

Savings Rate:
The interest rate a person expects to earn on a savings account or investment account.

Secondary Market:
An informal market where existing mortgages are bought and sold. It is the traditional aftermarket for mortgage loans that brings together lenders that sell mortgages with lenders, investors and agencies that buy mortgages.

Seller Contribution:
The seller may be paying some or all of the borrower's cost. The amount of the contribution has limitations.

Selling Costs:
The costs incurred in selling a home. This could include Realtor expenses and other miscellaneous expenses such as painting or minor repairs to prepare the home for sale.

Servicing:
All the management and operational procedures that the mortgage company handles for the life of the loan, up through foreclosure if necessary, including: collecting the mortgage payments, ensuring that the taxes and insurance charges are paid promptly, and sending an annual report on the mortgage and escrow accounts.

Servicing Released:
A stipulation in the agreement for the sale of mortgages in which the Lender is not responsible for servicing the loan.

Servicing Retained:
A loan sale in which the original lender's servicing department continues to service the loan after the sale to a secondary institution or investor.

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Settlement Statement:
Also referred to as a HUD-1 Settlement Statement. The complete breakdown of costs involved in the real estate transaction for both the seller and buyer.

Single-Family Attached Home:
A single-family dwelling that is attached to other single-family dwellings.

Single-Family Detached Home:
A freestanding dwelling for a single family.

Survey:
A measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions and the location and dimensions of any improvements.

Subordinate Financing:
An additional lien against the real estate securing the borrowers first mortgage. This lien takes second priority to the first mortgage.

Subsequent Rate Adjustment - Maximum rate decrease:
In association with an Adjustable Rate Mortgage loan, this is the most the interest rate can decrease when it is scheduled for reevaluation and possible adjustment.

Subsequent Rate Adjustment - Maximum rate increase:
In association with an Adjustable Rate Mortgage loan, this is the most the interest rate can increase when it is scheduled for reevaluation and possible adjustment.

Subsequent Rate Adjustment - Next ARM Adjustment Date:
In association with an Adjustable Rate Mortgage loan, this is the date scheduled for the next reevaluation and possible adjustment.

Subsequent Rate Adjustment - Rate Change Frequency:
In association with an Adjustable Rate Mortgage loan, this is the frequency in which possible adjustments may be made to the interest rate amount for Adjustable Rate Mortgages after the initial adjustment.

Tax Rates:
Tax levied by the federal government and some states based on a person's income. Federal income tax rates vary depending on a person's adjusted gross income.

Tax Savings:
The amount saved on taxes by itemizing deductions on income tax returns.

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Title:
The evidence to the right to or ownership in property. In the case of real estate, the documentary evidence of ownership is the title deed, which specifies in whom the legal state is vested and the history of ownership and transfers. Title may be acquired through purchase, inheritance, devise, gift or through the foreclosure of a mortgage.

Title Insurance Policy:
A contract by which the insurer, usually a title company, indicates who has legal title and agrees to pay the insured a specific amount of any loss caused by clouds, claims or defects of title to real estate, which the insured has an interest as owner, mortgagee or otherwise.

(a) Owner's Title Policy:
Usually issued to the landowner himself. The owner's title insurance policy is bought and paid for only once and then continues in force without any further payment. Owner's Title Insurance policies are not assignable.

(b) Mortgagee's Title Policy:
Issued to the mortgagee and terminates when the mortgage debt is paid. In the event of foreclosure, or if the mortgagee acquires title from the mortgagor in lieu of foreclosure, the policy continues in force, giving continued protection against any defects of title which existed at, or prior to, the date of the policy.

Treasury Bills:
Interest bearing U.S. Government obligations sold at a weekly sale. The change in interest rates paid on these obligations is frequently used as the Rate Index for Adjustable Mortgage Loans.

Truth in Lending (TIL):
The name given to the federal statutes and regulations (Regulation Z) which are designed primarily to insure that prospective Borrowers of credit received credit and cost information before concluding a loan transaction.

Underwriting (Mortgage Loans):
The process of evaluating a loan application to determine the risk involved for the lender. It involves an analysis of the borrower's creditworthiness and the quality of the property itself.

Verification of Deposit (VOD):
Form used in mortgage lending to verify the deposits or assets of a prospective borrower when monthly statements are unavailable or unusable.

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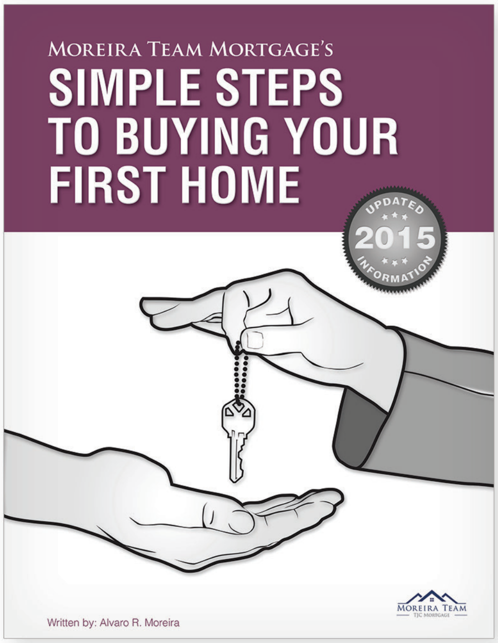
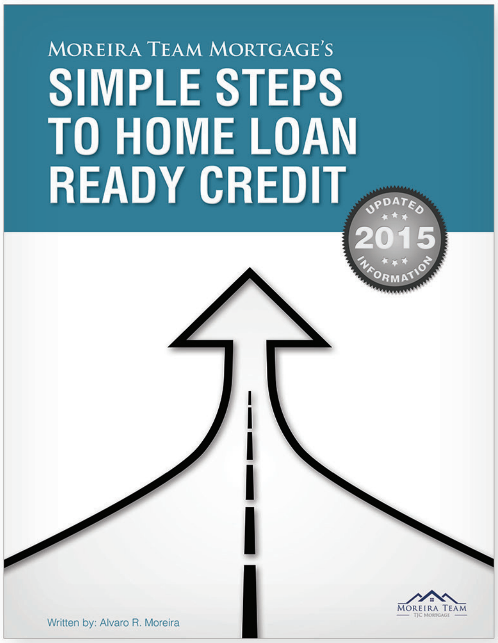
Verification of Employment (VOE):
Form used in mortgage lending to verify the employment and income of a prospective borrower when pay stubs and W2 forms are unavailable or unusable.

Verification of Rent:
Form used in mortgage lending to verify monthly rents paid and late payments, if any.


Moreira Team Mortgage's
SIMPLE STEPS
TO BUYING YOUR
FIRST HOME
UPDATED
2015
INFORMATION
Written by: Alvaro R. Moreira
Moreira Team


Moreira Team Mortgage's
SIMPLE STEPS
TO HOME LOAN
READY CREDIT
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Who We Are

The Moreira Team is one of the fastest growing mortgage lenders. We make the mortgage loan process easy by offering you three ways to apply for your loan: online, over the phone, or at one of our convenient locations.

We employ mortgage professionals operating in a team environment to make sure you get the right loan at the right price…and our Mortgage Pro's are compensated based on their ability to get you to an error-free closing faster than anyone else!

Our fully-integrated, streamlined process lets you start and finish the application process in any way that you choose, while giving you the comfort and convenience of knowing that an experienced loan consultant is right there with you throughout the entire process.

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Written by: Alvaro R. Moreira
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1230 Peachtree St NE
Ste 1900-A
Atlanta, GA 30309
404.238.7888

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