



HOME MORTGAGE NOTES:



susan templeton
mortgage planner
apply@loannetter.com
360.220.2997

CONVENTIONAL LOANS

30 year Fixed

Conventional loans are ideal if you plan to stay in your property for 10 years or more. Interest Rate and Payment do not change for the entire term of 30 years. It self-amortizes to a zero balance in 30 years. Ideally, there is no prepayment period which means you can pay your loan down or off sooner and save a lot of interest. You need 20% down payment on a purchase to avoid mortgage insurance. Most lenders require a minimum of 10% down.

15 or 20 year Fixed

Similar to a 30 year Fixed, only the payment period is 15 or 20 years. Monthly payments will be higher than a 30 year loan due to the shorter amortization period. These loans are popular for refinancing if you have a low current mortgage and an increase in monthly payment is not a problem. Rates vary and could be higher than a 30 year loan due to less interest paid.

7/23 Two step (also 5/25 and 3/27 and 2/28)

This is a 30 year loan with an initial interest rate and payment that is fixed for the first 2-7 years. These may be good choice to lower your interest rate and payment for a short time.

When it resets: The interest rate will be calculated using a margin plus index formula that for a new rate approximately 3/8 - 3/4 percent higher than current conventional rates. They will be fixed for the remaining 23 years of the loan. Or you can refinance or pay it off.

40 year Fixed

Conventional terms for longer periods. Longer terms increase your interest paid over time!



ADJUSTABLE RATE MORTGAGES (ARMS)

1 year ARM

This the most popular Adjustable-Rate-Mortgage ARM). Interest rate and payment is fixed for the first 12 months. They change once every 12 months during the entire term of the loan (usually 20 years).

There are limiting "Caps" to how high the rate can go....that prevent catastrophic rate changes. These "Caps" are 1-2% every years and 5-8% over the initial rate for the life of the loan but we have seen caps as high as 16%! Initial rates are approximately 1.5-3% lower than 30 year fixed rates. These loans are popular to 'get in the door'.

3/1, 5/1 or 7/1, ARM

The X/1 ARM is a 30 year loan with interest rate and payment fixed for initial period of X years. At this time, the interest rate and payment changes once every 12 months for the remainder of the loan. These generally offer rates approximately 3/8 - 5/8% lower than 30 year fixed loans. They are popular with people that will keep their loan 2 - 7 years who know they will be moving or are simply willing to risk the lower rate.

10/1 ARM

The terms are similar to X1 ARMs, only the initial period is 10 years. Unless you are financing over \$210,000, the interest rate could be higher than the 30 year fixed loan. If you are financing over \$210,000, and keeping the property for 8-10 years, then this program may be ideal for your needs.

Interest Only ARM

The terms of these loans allow the borrower to only make interest payments on an adjustable margin. Since you are not paying down your principle you are taking a risk on your ability to refinance to fixed terms at a later date if your home's value has declined.

NOTE: OPTION ARMS that allowed negative amortization are not currently offered due to the losses in 2008 from values dropping below the loan amount.



GOVERNMENT LOANS:

USDA 102% Loans

These amazing loans are backed by the US Dept of Agriculture and are known as Rural Housing Loans. The buyer must fall into a modest income bracket (determined by county) and the home's location must qualify for the program. Certain areas are targeted for these loans due to the high cost of living compared to average rural wages. Up front mortgage funding fee is 2.0% which goes to the USDA and is added to your loan amount, thus the 2% over 100% they will fund. Sellers may contribute toward your closing costs.

FHA Loans

These loans are sponsored by the Federal Home Administration. The maximum loan amounts are determined by the lowest average house price in your area. Generally, the program availability is limited to 30 and 15 year fixed rates and 5 year ARM products. These loans are ideal for borrowers with little savings. FHA also has more flexible guidelines regarding credit history. 3.5% is the minimum down payment required which must come from your own funds, including family resources or 'gift funds'. Cash out refinance loans are limited to 85%. LTV>

85-100% VA Loans

These loans are guaranteed by the Veteran's Administration--only available to qualified US Veteran's. Generally, the program is limited to 30 and 15 year fixed & ARM products. The advantage of VA over FHA is that their limits on loan amount are much higher, and related directly to the borrower's ability to handle the debt. 100% is offered for purchases and less on refinances depending on type.

PORTFOLIO LOANS

Private Loans may be fixed or adjustable loans offered to qualified applicants that may have extenuating circumstances but good credit. Debt to Income Ratios up to 50% may be allowed.

These loans are not sold to Fannie Mae or Freddie Mac so the lender can decide on a case by case basis if an applicant meets their standards. Many portfolio lenders allow 90% LTV on a purchase. The interest rates and programs vary based upon the borrower's financial situation.



EQUITY LOANS:

Home Equity Loans

Equity loans are 10, 15 or 20 or 30 year Fixed or Adjustable Mortgages. You can use an Equity Loan as second mortgage or partial down payment on a purchase, or take cash out of your property based on the total equity of your home. Useful to consolidate debt or finance upgrades.

Home Equity Lines

Often referred to as HELOC's or Home Equity Line of Credit. These loans are 10, 15 or 20 year ARM Mortgages. You can use these as second mortgages to take cash out of your property or as a down payment on a purchase. The terms allow the option of making interest only payments during the loan term, and may be based on a longer 20 or 30 year amortization period. Some community banks offer a fixed rate HELOC for higher interest rates.

Principle amounts due at the end of the term (if you only paid interest) are either paid off or refinanced at the end of the term. HE Lines are usually based on Prime Rate plus a margin based on credit history and loan size. They are an excellent source of \$20,000 or more (up to 90% LTV combined in your 1st mortgage plus the HE Line). They can be used for personal purposes, including debt consolidation, education, etc.

Home Equity Conversion Line of Credit (HECCM) or Reverse Mortgages

You must be aged 62 or older to qualify for this FHA guaranteed loan that allows you to tap your home's existing equity and pay off your existing mortgage or provide income.

The HECCM pays off your mortgage and you can draw your available funds just like a line of credit, only the bank is essentially your home. You have no monthly payments, only your taxes and insurance. Very strict guidelines apply to lenders offering the FHA insured Reverse Mortgage so be sure and check with your lender. The program plots your expected time frame living in the home and once you leave or sell, the mortgage is paid off. Your remaining equity is yours or your estate's.

Much misinformation surrounds reverse mortgages because some unscrupulous lenders devised a similar loan to encourage seniors to take out their equity and invest in annuities or the stock market. A genuine FHA insured mortgage cannot be foreclosed. Seniors can stay in your home payment free as long as you choose. Even if there is a shortfall in value due to a drastic market loss, your estate will not be liable.



CONSTRUCTION LOANS:

Construction Term Loan

These loans are designed to allow a home owner to custom build their own home, and may cover the cost of acquisition of land as well as pay the builders and associated contracting and design fees necessary to complete the home.

After the term of construction (from 2 months to maximum of 2 years) the loan is then refinanced or 'rolled over' into a Permanent loan. Rates are higher due to the increased risk during the building period. Builder, Borrower and Project are approved separately.

Custom-Perm Loans

These loans are designed to allow a home owner to acquire land, custom build their own home, hire an architect and or contractor or builder to manage the project, and automatically or 'roll over' into a Permanent loan without only *one closing* and the associated costs.

Options exist to make no payments during the term of Construction and a guaranteed rate at roll over may be established at the beginning of the construction term. The advantage to builders over Spec building is that the borrower carries the financial risk and makes monthly progress payments. The advantage to the homeowner is a sense of ownership of the project.

Renovation Loans

These loans are designed to allow a prospective home owner to acquire a home in need of repair with extra funds for the purpose of upgrading the home. An appraisal determines the 'AS IS' value and the "IMPROVED" value of the home. The lender holds the funds necessary for the renovation for up to 6 months during which time payments are made as repairs are completed and approved by the appraiser.

Land and Lot Loans

These loans are designed to allow a prospective home owner to acquire land for the purpose of building a home. The terms are usually for 1 to five years, after which time the loan is wrapped into a Construction Loan. Expect to make a 25-30% down payment.

Bridge Loans

Many lenders offer excellent short term loans for homeowners needing to draw against their current home equity while building or relocating, within the same state or lender region.