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### Secondary Market vs. In-House Loans

#### Fannie Mae

#### Kept at First National Bank

#### **Loan Options**



- Conventional
- VA/FHA
- Rural Development
- First-Time Homebuyer/Iowa Finance Authority

# Prequalification

#### What does it mean?

- Fast, Free
- Complete mortgage application at FNB247.com
- Review credit report, debt-toincome ratio, and funds available to close
- Pre-approval vs.
  Prequalification



#### **Credit Report**



- The bank pulls credit reports from all three credit agencies (Experian, Equifax, and TransUnion)
- A credit score of 620 or above
- Make sure there are no "freezes" on your credit

# Mortgage Lending Funds Needed

#### **Funds Needed to Close/Down Payment**

- Minimum 3% down for first-time homebuyers and 5% for others
- Sufficient assets
- Gift money
- Closing costs



#### **Private Mortgage Insurance (PMI)**



#### MORTGAGE INSURANCE ISN'T HOME INSURANCE

#### **Mortgage Insurance**

- Required with less than 20% down payment
- Monthly premium is based upon down payment, credit score, and loan amount
- PMI can be cancelled when you pay down the loan to 80% loanto-value

Funds to close on a \$150,000 purchase price, with 5% down payment

73

21

8

Funds

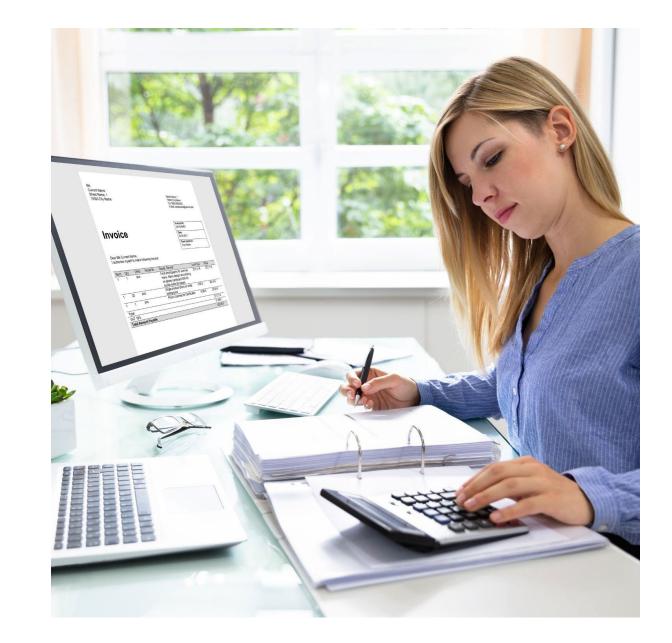
to

Close

- \$7,500 5% down payment
- \$1,600 closing costs
- \$900 First annual PMI payment
- \$2,000 Escrow deposit at closing

\$12,000 – Total estimated funds for closing Mortgage Lending Debt-to-Income (DTI) Ratio

- Calculated by taking your monthly debts divided by your monthly income
- Fannie Mae requires no more than a 50% DTI ratio



# Mortgage Lending Debt

- New mortgage, principal, interest, property taxes, mortgage insurance, and home insurance
- Student loans, auto loans, credit cards, department store cards
- Does not include cell phone, utilities, childcare, healthcare



#### Debt-to-Income Ratio Example

- Person earns \$4,000 a month
- Has a \$300 car payment and \$100 monthly credit card payment
- Is considering a mortgage of \$1,000 per month
- DTI: \$1,400/\$4,000

35% DTI

# Mortgage Lending Payments

- Principal, interest, property taxes, mortgage insurance, and home insurance (PITI)
- One payment to the mortgage holder



# **Example of PITI**

Purchase price \$200,000, 20% down payment, loan amount of \$160,000; interest rate of 5.25% for 30 years

- \$887 Principal & interest
- \$200 Property taxes (estimated)
- \$80 Home insurance (est.)

\$1,167 Est. Monthly Payment

# Mortgage Lending Escrow

- Funds set aside to pay monthly property taxes and insurance
- Part of your payment



#### Mortgage Lending Homebuying Counseling

- First-time homebuyers meet with a lender
- Discuss process and make sure you are ready to buy
- No cost, no obligation



Got Questions?Let Us Help?

