



Welcome First-Time Buyers



A Guide to Financing Your First Home



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First-Time Home Buyer

For any real estate questions regarding First Time Home Buyers, please feel free
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Today, We'll Discuss . . .

- Renting vs. Buying
- Costs of Home Buying
- Tips for the First-Time Homebuyer
- How Your Credit Affects You
- Choosing The Right Loan Program
- The Loan Application Process
- Documents That You Will Need

About Prospect Mortgage

- **A national direct lender and one of the largest independent retail residential mortgage lender in the United States**
- **Backed by Sterling Partners, a multi-billion dollar private equity firm**
- **Offering a wide range of loan programs including:**
 - Conforming
 - Jumbo
 - Government
 - Reverse Mortgages
 - Plus: Rate Protection Programs
 - Second Homes
 - ARM Products (1-month, 1-year...)

Renting Vs. Buying

Renting

Advantages

- Usually costs less than buying
- You can usually relocate more easily
- Little responsibility for maintenance
- No responsibility for repairs

Disadvantages

- No tax benefit
- No investment in or from property
- No equity is accumulated
- Rent amount may increase frequently
- Possible eviction

Consult a financial planner if you would like advice for your particular situation.

Renting Vs. Buying

Buying

Advantages

- Tax benefits
- Greater stability
- Can be a great investment
- Your equity can build
- First home may lead to a better home
- Pride in ownership

Disadvantages

- Responsible for property taxes
- Responsible for maintenance and repairs
- Monthly housing may cost more
- Cash is tied up
- Can't always sell a home quickly
- Less mobility than renting
- Equity can drop

Consult a financial planner if you would like advice for your particular situation.

How Much Do You Need?

- A down payment (varies by loan program – which you select with your Loan Officer)
- Closing costs
- Other housing related costs – mortgage payments, repairs, PMI

For Example: FHA Loan Program on a 30-year Fixed Rate Loan with an APR of 5.4%

Down Payment

Sales Price	\$175,000.00
3.5% Down	\$ 6,125.00
	\$168,875.00
MIP 1.75%	\$ 2,955.00
Total Loan Amount	\$117,830.00

Payments

Principal and Interest at 5.00%	\$ 922.42
Taxes 1.25%	\$ 182.29
Fire Insurance .30%	\$ 48.13
FHA MIP Insurance	\$ 78.75
Total Housing	\$1,231.59

Costs example

Estimated points	\$1,688.75
<i>Interest rate selected (example based on 1% of loan amount)</i>	
Estimated Lender's Fees	\$1,395.00
Estimated Escrow/Attorney/Settlement Fees	\$1,300.00
Estimated Prepaids (<i>Taxes, Insurance, Interest</i>)	\$1,000.00
Total closing costs	\$5,383.75
Down Payment	\$6,125.00
Cash to Close	\$11,508.75

How Your Credit Affects You

- When you look for a mortgage, lenders will review your credit report, which is a history of how you have managed your finances and repaid debt.
- Ideally, you will have established:
 - At least three lines of credit
 - Made payments on time for at least one year
- There are loan programs available for buyers with minimum credit history or less than perfect credit.
- When you apply for a mortgage, the lender may request a credit score, known as a FICO score, in addition to a credit report. A credit score is a computer-generated number that indicates your ability and willingness to repay a debt based on your credit record.

Your FICO Score

The FICO score is based on:

- Timely credit payments
- Amount of debt you owe
- How recently your accounts were opened
- The number of recent inquiries on your credit report
- Types of credit used

Three Credit Bureaus
Experian • Equifax • Trans Union

Your FICO score is part of the mortgage information that will dictate whether or not your application is approved. Your FICO score may also be a factor in determining the mortgage interest rate you pay.



Important
FICO
Milestones:

720

680

620

Perform Your Own Credit Check

Through www.annualcreditreport.com, you can obtain one FREE credit report a year from each of three major credit reporting agencies: Equifax, Experian, TransUnion. Your personal inquiry does not affect your credit report.

Take the free offer because:

1. You'll know where you stand
2. You'll have a starting point for improving your score
3. About 25% of all credit reports contain mistakes

Your FICO score is based on one or a combination of these credit reports. If there is an error on your credit report, you need to fix it to help you get the best possible mortgage rate. Each credit bureau offers an automated online system for submitting your dispute.

Tips for the First-Time Buyer

- Meet with your Loan Officer before you begin your search
- Keep your credit current (make all payments on time)
- Watch your spending patterns and avoid incurring new debt before applying for a loan
- Don't incur additional debt after you have completed a loan application for your home
- Do not have anyone except your loan consultant run your credit history

Tips for the First-Time Buyer *(continued)*

- Advise your Loan Officer if you have any large transactions during the loan process
- Document gift funds by keeping a copy of the check you receive and the deposit slip
- Be ready to provide bank statements (all pages) and pay stubs (at least 3 months)
- Be prepared to document your last two years of employment
- Have your last 2 years of W-2s and tax returns available

Good Things To Know

- Obtain pre-approval before you shop for a home
- Qualified borrowers have buying power
- Prospect Mortgage Loan Officers and lending affiliates can provide no cost credit review and pre-qualification services
- Review your budget and estimate what you can afford. This depends not so much on the selling price of the house, but your ability to handle the monthly payment

Which is the Right Loan For Me?

A **FIXED RATE MORTGAGE** has a fixed interest rate, fixed monthly payment, and is fully amortized over a given number of years (e.g., 15 or 30 years). A portion of each payment covers interest due. The remaining portion is applied toward reduction of the principal balance. Payments systematically reduce the loan balance until the loan is paid in full.

Advantages

- Monthly payments remain the same
- Interest rate does not change
- Protected if rates go up
- Can potentially refinance if rates go down

Disadvantages

- Usually a higher interest rate than ARM at start
- Usually higher mortgage payment than ARM at start
- Rate does not drop if interest rates improve

Which is the Right Loan For Me?

An **ADJUSTABLE RATE MORTGAGE** has fluctuating interest rates and the potential for changing payment amounts. The interest rate on an ARM is often substantially lower than the rate for a fixed rate loan.

Advantages

- Lower initial monthly payment
- Lower payment during initial fixed rate period
- Rates & payments may go down if rates improve
- May qualify for higher loan amounts

Disadvantages

- More risk
- Payments may change over time
- Potential for high payments if rates go up

The Home Loan Process Made Easy

1

Lender pre-qualifies a homebuyer for a certain loan amount.

2

Homebuyer makes purchase offer on home with assistance of real estate agent.

3

If contract is accepted, home is placed in escrow.

4

Buyer submits more detailed loan application, selects loan type and locks rate.

5

Once applicant information is verified, lender orders title and property appraisal.

6

Loan package is submitted to underwriting for approval.

7

Escrow office/agent prepares to transfer assets, per mortgage contract.

8

Participating parties sign loan documents.

9

Loan is funded and recorded.

10

Seller moves out, buyer moves in on agreed date.

We offer a wide range of home loan solutions, great for first-time buyers! Ask me how you can take the first step and become pre-qualified to buy your new home.

What Will You Need to Apply?

The following is a list of documents needed to complete your loan application process.

- Completed Residential Loan Application and Credit Authorization
- W-2s and/or 1099 forms for the past two years (include all income sources)
- Two years PERSONAL & BUSINESS tax returns if self-employed (all schedules)
- If you receive social security, pensions or disability income, provide most recent award letter
- If you rent, provide a copy of the lease agreement and two years of tax returns

All loans must satisfy Prospect Mortgage underwriting guidelines.

What Will You Need to Apply? *(continued)*

The following is a list of documents needed to complete your loan application process.

- Pay stubs covering the most recent 30 days
- Bank statements for the most recent 3 months (all depository accounts and all pages)
- Other: Asset Account Information for IRA, KEOGH, 401(k) (most recent month)
- Signed Purchase Agreement/Sales Contract (if applicable)
- If renting, name, address and telephone number of landlord(s) for the past two years

All loans must satisfy Prospect Mortgage underwriting guidelines.

How Interest Rates Affect Your Mortgage Payment

	8.00	\$1,321	\$1,357	\$1,394	\$1,431	\$1,468	\$1,504	\$1,541	\$1,578	\$1,614
	7.75	\$1,290	\$1,325	\$1,361	\$1,397	\$1,433	\$1,469	\$1,504	\$1,540	\$1,576
	7.50	\$1,259	\$1,294	\$1,329	\$1,363	\$1,398	\$1,433	\$1,468	\$1,503	\$1,538
	7.25	\$1,228	\$1,262	\$1,296	\$1,330	\$1,364	\$1,398	\$1,433	\$1,467	\$1,501
	7.00	\$1,198	\$1,231	\$1,264	\$1,297	\$1,331	\$1,364	\$1,397	\$1,430	\$1,464
	6.75	\$1,167	\$1,200	\$1,232	\$1,265	\$1,297	\$1,330	\$1,362	\$1,394	\$1,427
	6.50	\$1,138	\$1,169	\$1,201	\$1,233	\$1,264	\$1,296	\$1,327	\$1,359	\$1,391
	6.25	\$1,108	\$1,139	\$1,170	\$1,201	\$1,231	\$1,262	\$1,293	\$1,324	\$1,355
Rate	6.00	\$1,079	\$1,109	\$1,139	\$1,169	\$1,199	\$1,229	\$1,259	\$1,289	\$1,319
	5.75	\$1,050	\$1,080	\$1,109	\$1,138	\$1,167	\$1,196	\$1,226	\$1,255	\$1,284
	5.50	\$1,022	\$1,050	\$1,079	\$1,107	\$1,136	\$1,164	\$1,192	\$1,221	\$1,249
	5.25	\$994	\$1,022	\$1,049	\$1,077	\$1,104	\$1,132	\$1,160	\$1,187	\$1,215
	5.00	\$966	\$993	\$1,020	\$1,047	\$1,074	\$1,100	\$1,127	\$1,154	\$1,181
	4.75	\$939	\$965	\$991	\$1,017	\$1,043	\$1,069	\$1,095	\$1,122	\$1,148
	4.50	\$912	\$937	\$963	\$988	\$1,013	\$1,039	\$1,064	\$1,089	\$1,115
	4.25	\$900	\$910	\$935	\$959	\$984	\$1,008	\$1,033	\$1,058	\$1,082
	4.00	\$859	\$883	\$907	\$931	\$955	\$979	\$1,003	\$1,026	\$1,050
		180,000	185,000	190,000	195,000	200,000	205,000	210,000	215,000	220,000
		-10%	-7.5%	-5%	-2.5%	Loan	+2.5%	+5%	+7.5%	+10%



First-Time Home Buyer

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