

THE MORTGAGE *guide*

FOR FIRST-TIME HOMEBUYERS



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HELLO & *Welcome!*



Hello, I'm Jeff. Nice to meet you!

Jeff Buffington is a VP of Mortgage Lending at Patriot Pacific Financial. As an active member of the community since 1989 I have been able to raise a family and enjoy the well maintained growth that Temecula Valley provides. I have been originating loans in California since 1987 after graduating from Cal State Northridge with a BA degree in Psychology. I moved to the Temecula Valley as a Loan Officer, to open a mortgage branch in 1989, and never looked back. With over \$1,000,000,000 in funded loans, in 34 years, I am well versed in most Mortgage programs specializing in FHA, VA, Conventional, Jumbo and First Time Home Buyer loans . One of the reasons I joined Patriot Pacific Financial was the enormous amount of products we can offer and the relationships that have been created with over 50 different Lending Partners. Being a Broker allows me to shop your rate with multiple lending sources that compete for your business. This saves an enormous amount of time and you never have to start the process over, should an Underwriter have a difference of opinion. Their innovative loan programs and rate pricing model make it not only the most efficient but also the most cost effective way to shop for a Mortgage when you're purchasing or refinancing a home. Unfortunately I no longer offer any Construction, Commercial or Land loans. I look forward to speaking with you soon.

Jeff Buffington

THE MORTGAGE *process*

1

PRE-APPROVAL

During the pre-approval process, we'll review your income, assets, liabilities, credit history and down-payment budget, to determine how much of a home loan you'll qualify for. We'll discuss available loan programs, current interest rates, mortgage payments and estimated closing costs, so you know what to expect at closing. Your Pre-Approval Letter will let sellers know that you're a qualified buyer.

2

FIND YOUR DREAM HOME & MAKE AN OFFER

Now, for the fun part: house-hunting! Your real estate agent will show you homes that meet your criteria, within your price range. When you find the perfect home, your agent will help you determine a fair offer price, submit your purchase offer and help you negotiate the terms of the sale.

3

LOAN SUBMISSION & RATE LOCK

When you have an accepted offer, we'll submit your completed loan application and supporting documents into processing, for review. We'll finalize the loan terms and lock-in the interest rate through your closing date, to protect the rate from potential market fluctuations while the loan is being processed.

4

HOME INSPECTION AND APPRAISAL

While not required, a home inspection is recommended. The inspection will evaluate the physical condition of the property and uncover any issues that need attention. An appraisal will be required, to determine the fair market value of the property, so the lender can verify there is sufficient collateral for the loan.

5

UNDERWRITING AND LOAN APPROVAL

An underwriter will verify the information in your loan application (such as employment, income, assets, liabilities, credit report and property details.). If the criteria meets the lender's requirements, a Loan Approval will be issued.

6

CLOSING

Your escrow or title company will schedule the closing appointment, for you to sign the final loan and closing documents. You'll receive instructions on how to wire the down-payment and closing funds. When the loan has funded and the Deed has been recorded, you'll receive the keys to your new home!

THE PRE-APPROVAL *checklist*



IDENTIFICATION

- Copy of a government-issued ID, such as a Driver's License or passport.
- Copy of Permanent Residency card, if applicable.

INCOME & EMPLOYMENT

- Paystubs, covering a 30 day period.
- Federal Tax Returns (1040s), W-2s and/or 1099s, for the most recent two year period.
- Social Security and/or Pension Award Letter(s) for the current year.
- Business tax returns (1065s or 1120s and K-1s) for the most recent two year period, if self-employed.
- YTD Profit & Loss Statement, if self-employed.
- Rental property or investment income.
- Other sources of income, such as VA benefits, child support, alimony or disability.
- Employment history and contact information of employers, for the last two years.

ASSETS

- Copies of two months most recent bank statements (all pages) for the following types of accounts: checking, savings, money-market, retirement, 401k and/or investment accounts.
- Information regarding any additional real estate owned.
- Donor contact information, if receiving "gift funds" for the down-payment.

LIABILITIES

- Any additional debts or financial obligations that do not appear on your credit report.

OTHER

- VA Certificate of Eligibility, if applying for a VA Loan.
- Landlord or property management contact information and rental payment history, if renting.
- Copy of Trust or Trust Certification, if vesting title in a Trust.

Which TYPE OF PAYMENT IS RIGHT FOR YOU?



FIXED RATE MORTGAGE

A fixed-rate mortgage has an interest rate and monthly payment that is constant for the entire loan term, typically ranging from 15 to 30 years. A fixed-rate loan is ideal for those who prefer consistent monthly payments, and want protection against potential interest rate increases in the future.

ADJUSTABLE RATE MORTGAGE (ARM)

An adjustable-rate mortgage (ARM) has an initial, low interest rate, fixed for a set number of years. After that, and for the remainder of the loan term, the interest rate will adjust at regular intervals. Payments can increase or decrease over time, making it suitable for short-term buyers or those comfortable with fluctuating payments.

INTEREST-ONLY MORTGAGE

An interest-only loan allows borrowers to pay only the interest on the loan, for a set period of time, typically 5–10 years. This results in lower initial payments, but the loan balance will not be reduced. After the interest-only period ends, higher principal and interest payments will be due, for the remainder of the loan term.



TYPES OF LOANS

CONVENTIONAL

- 5% minimum down-payment.
- 620+ minimum credit score.
- Conforming and high-balance conforming loan amounts allowed.
- Mortgage Insurance is required if the down-payment is less than 20%.
- Available on primary residences, 2nd/vacation homes and investment properties. (1-4 units)
- Available to anyone who meets credit and income guidelines.

Guaranteed by Fannie Mae, Freddie Mac and GSEs

FHA LOAN

- 3.5% minimum down-payment.
- 580+ minimum credit score.
- One-time 1.75% Upfront Mortgage Insurance Premium required.*
- Monthly Mortgage Insurance Premium (MIP) is required.
- Available for primary residences only (1-4 units).
- Available to anyone who meets credit and income guidelines.

Insured by the Federal Housing Administration (FHA)

VA LOAN

- Available to eligible Veterans, Active Duty Service Members, National Guard, Reservists and qualifying surviving spouses.
- 0% down-payment.
- 580+ minimum credit score.
- Available for primary residences only (1-4 units).
- One-time VA Funding Fee of 1.25% to 2.15% required on home purchases.*
- No monthly mortgage insurance.

Managed by the Department of Veteran's Affairs

USDA LOAN

- Available for properties located in USDA designated rural areas.
- 0% down-payment.
- 640+ minimum credit score.
- Income can not exceed 115% of the area's median income.
- Available for 1 unit, primary residence only.
- One-time upfront 1% Guarantee Fee*
- Annual Fee = 0.35% of loan balance paid in 12 monthly installments..

Managed by the US Department of Agriculture

• The upfront FHA Mortgage Insurance Premium, VA Funding Fee and USDA Guarantee Fee can be financed into the loan amount.



SPECIALTY LOANS

JUMBO LOAN

- 10% minimum down-payment on primary residences. PMI required on down-payments less than 20%.
- 720+ minimum credit score.
- Available on primary residences, 2nd homes and investment properties.
- Jumbo loans are conventional loans that exceed the FHFA conforming and high-balance loan limits.
- Jumbo loans have stricter DTI, credit score and underwriting guidelines.

Backed by private lenders.

FHA 203(k) REHAB LOAN

- Finance a home purchase and the renovation cost, in a single loan.
- "Limited" 203(k) loan for non-structural renovations up to \$75,000.
- "Standard" 203(k) loan for structural repairs or major renovations.
- 620+ minimum credit score
- Down-payments starting at 3.50%.
- Property must be owner-occupied.
- 1.75% upfront mortgage insurance premium and recurring monthly MIP.

Insured by the Federal Housing Administration (FHA).

REVERSE MORTGAGE *

- For homebuyers age 62 and older.
- Home must be a principal residence.
- 30% to 70% down-payment typically required, depending on age of the youngest borrower or spouse, current interest rates and property value.
- No monthly mortgage payment required.
- Must stay current on property taxes, insurance, home maintenance and other terms of the mortgage.

Insured by the Federal Housing Administration (FHA)

BANK STATEMENT LOAN

- Qualify with 12-24 months of personal or business bank statements.
- Bank statement deposits are used to calculate income, instead of tax returns, W-2s and paystubs.
- 10% minimum down-payment.
- 620+ minimum credit score.
- Ideal for self-employed, business owners or those with non-traditional income. Minimum 2 years self-employment history is required.

Non-QM Loan. Backed by private lenders.

*A Reverse Mortgage is also referred to as a Home Equity Conversion Mortgage (HECM).

Beyond THE DOWN-PAYMENT

For first-time homebuyers, it's important to plan for expenses in addition to the down payment. By understanding and budgeting for these extra costs in advance, you can avoid surprises and make your homebuying experience smoother and less stressful.

EARNEST MONEY DEPOSIT (EMD)

The earnest money deposit is sum, paid by the homebuyer (typically equal to 1% to 3% of the purchase price) to show the seller their intent to purchase the property. The deposit is held in escrow and can be applied to the down payment or closing costs.

HOME INSPECTION

The home inspection (typically \$300-\$700+) is a thorough examination of a property's physical condition. It identifies potential issues, such as structural damage or faulty systems, allowing buyers to make informed decisions and request repairs before finalizing the purchase.

APPRAISAL

An appraisal is the process in which a licensed appraiser determines the fair market value of a property, based on recent comparable sales. The appraisal typically costs between \$400-\$800+, depending on the property size and location.

DOWN-PAYMENT

A down-payment is the amount of money a buyer pays upfront toward the purchase of a home, usually as a percentage of the sales price. Down-payments typically range from 3.5% to 20%.

CLOSING COSTS

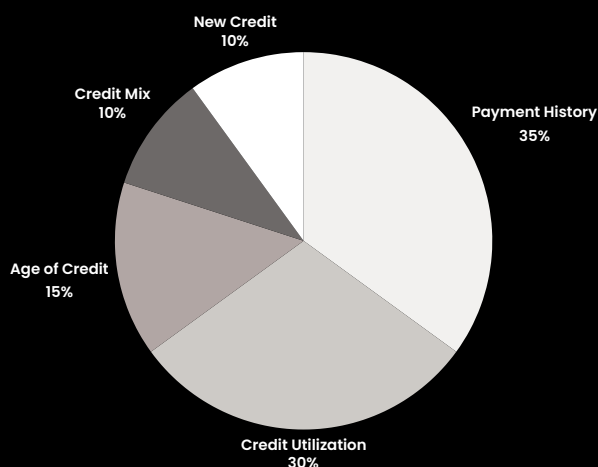
Closing costs are fees and expenses paid for the services needed to purchase a home and obtain a mortgage. They include lender fees, escrow, title insurance, appraisal, taxes, and prepaid items,, typically totaling 2% to 5% of the loan amount.

BUYER'S AGENT COMMISSION

A buyer's agent commission is the fee paid to the real estate agent, who represents the buyer, in a home purchase. Typically 2.5% to 3% of the sales price, the commission is often paid by the seller. If the seller does not offer to pay the buyer's agent, the buyer may be responsible for paying their agent's commission.



WHAT GOES INTO A *Credit* SCORE?



CREDIT SCORE CATEGORIES

800–850: Exceptional

740–799: Very Good

670–739: Good

580–669: Fair

350–579: Poor/Needs Work

PAYMENT HISTORY – 35%

Credit card payment history is a record of how consistently you've made payments on your credit accounts. It shows whether payments were on time, late, or missed. It has a significant impact on your credit scores.

CREDIT UTILIZATION – 30%

Credit card utilization is the percentage of your available credit that you're currently using. It's calculated by dividing your credit card balances by your total credit limit. A good utilization rate on credit cards is 30% or less.

AGE OF CREDIT HISTORY – 15%

Age of credit history refers to the length of time your credit accounts have been active. It includes the age of your oldest account, newest account, and the average age of all accounts. A longer credit history positively impacts your credit score.

NEW CREDIT – 10%

Too many inquiries or new accounts opened, in a short period of time, can negatively affect your credit score, especially if you don't have a lengthy credit history.

CREDIT MIX – 10%

Credit Mix refers to the various types of accounts (credit cards, mortgages, auto loans etc) on your credit report. A diverse mix of credit can positively impact your score.



THE DO'S & DON'TS

Buying your first home and obtaining a mortgage is one of the biggest financial decisions you'll ever make. To help you navigate the process, here are the top "Do's and Don'ts" that can protect your credit, streamline your loan approval and ensure a stress-free experience.

- ✓ Do continue to make payments on all existing accounts (rent, auto loans, credit cards etc).
- ✓ Do notify your lender of any changes to your income or employment status, as soon as possible.
- ✓ Do start shopping for homeowners insurance policy, as soon as escrow opens. Let us know which insurance company you'll be using.
- ✓ Do notify us if you decide to increase or decrease your down-payment amount or change loan programs.
- ✓ Do respond to all lender and escrow requests, in a timely matter.

- ✗ Do not open new credit accounts or co-sign on loans, for others.
- ✗ Do not significantly increase or transfer credit card balances.
- ✗ Do not pay off old collection accounts or close old credit cards.
- ✗ Do not change employment, prior to closing.
- ✗ Switch banks, move money around or make any unusually large deposits.
- ✗ Do not make any large purchases, such a car, furniture or appliances, until after closing.
- ✗ Do not schedule travel or vacations during the loan process, to avoid closing delays.

LOAN SUBMISSION & RATE LOCK

Loan submission is a key step in the mortgage process. It's when your completed loan application and supporting documents are sent to the processing department for review. The processing department will order the appraisal, the title search, and prepare the file for underwriting. The processing department will also issue the Initial Disclosures, including the Loan Estimate, which outlines the loan terms, interest rate, and estimated closing costs. You'll need to review and sign the Initial Disclosures, in order for the loan application to proceed into underwriting.



A rate lock is an agreement between a borrower and the lender, that secures a specific interest rate on a mortgage for a set period, typically 30 to 60 days. A rate lock protects the borrower from rising rates, while the loan is in process.

During the lock period, even if rates increase, the borrower retains the agreed-upon rate, potentially saving money over the life of the loan. However, if rates drop, borrowers may not benefit unless the lender offers a "float-down" option, which allows switching to the lower rate for a fee. We will choose the right duration for the rate lock, based on your projected closing date.

Rate locks are beneficial, especially in volatile markets. They provide stability, predictability and peace of mind, during the mortgage process.



INITIAL DISCLOSURES

INITIAL DISCLOSURES

When you apply for a mortgage, lenders are required to provide you with Initial Disclosures, within three business days of application. Initial Disclosures are standardized forms that include federal and state-required mortgage disclosures. They are designed to give borrowers a realistic estimate of what to expect in terms of interest rate, monthly payments, closing costs and loan structure. The primary document included in the initial disclosures is called the "Loan Estimate."

While borrowers must acknowledge and sign the initial disclosures to move forward with their loan application, they are not obligated to finalize the loan, after signing. The terms of the mortgage can still be changed until the loan is ready to close.

THE LOAN ESTIMATE

The Loan Estimate (LE) is a standardized three-page form, that outlines the key terms, features and costs of the loan you've applied for. The Loan Estimate is designed to help borrowers compare offers from different lenders and provide transparency in the lending process. Essential information contained in the Loan Estimate includes:

- **Loan Terms:** Loan Amount, interest rate, APR, Loan Program and Term (e.g. 30 Year Fixed), and whether the rate is fixed or adjustable.
- **Projected Monthly Payment:** Principal, interest, taxes and insurance. Specifies whether the loan will have mortgage insurance or impounds.
- **Closing Costs:** An itemized list of anticipated fees and charges. plus the estimated Funds Needed to Close (total amount due at closing)
- **Rate Locks:** Information on whether the interest rate has already been locked - or is waiting to be locked.



HOME INSPECTION

While not required, a home inspection is an essential step for any first-time homebuyer. It ensures the home they're purchasing is a sound financial investment.

A professional inspector will examine the home's major systems and structural components, such as the foundation, roof, electrical, plumbing systems, HVAC, and more.

The home inspection report is a detailed written assessment of the property's physical condition, and can identify potential issues that may not be immediately visible, during a standard walk-through.

This comprehensive report can reveal hidden problems like water damage, faulty wiring, structural instability, or pest infestations. Knowing about these issues beforehand allows buyers to negotiate repairs or credits, request price reductions, or even reconsider the purchase altogether, if the problems are significant.

For first-time buyers, who may be unfamiliar with home maintenance, an inspection is also a valuable learning opportunity. Inspectors often provide tips on routine upkeep, and estimated timelines for replacing major systems, helping buyers plan for future costs.

WHAT DOES AN INSPECTOR LOOK FOR?

- ✓ Foundation cracks and settling
- ✓ Roof shingles, flashing and leaks
- ✓ Exterior siding, walls and decks
- ✓ Walls, floors, windows and doors
- ✓ Heating, A/C and appliances
- ✓ Electrical: Wiring, outlets and circuit breakers
- ✓ Plumbing: Pipes, water pressure, leaks and drainage
- ✓ Attics, basements and crawl spaces for air flow
- ✓ Signs of moisture, mold and mildew
- ✓ Signs of wood-rot, termites and rodents.



THE APPRAISAL

An Appraisal is a professional, unbiased assessment of a home's fair market value, conducted by an independent, licensed appraiser.

An appraiser will conduct a physical inspection of the property, to examine the home's size, age, condition, layout, and features. Similar, recently sold homes in the immediate area (known as "comps") will establish a benchmark to determine the home's value.

The appraiser will prepare a detailed written report, and provide a final opinion of value (the appraised value), which helps lenders assess risk by confirming that the property's value supports the requested loan amount. The appraisal can also help buyers ensure that they're not overpaying for the property.

Lenders will typically request payment for the appraisal fee from you, in advance. The lender will order the appraisal, on your behalf, using an approved Appraisal Management Company (AMC).

WHAT DOES AN APPRAISER LOOK FOR?

- Age and condition of the home.
- Bedroom and bathroom count.
- Location desirability of the property.
- Square footage, layout and lot size.
- Exterior features, such as swimming pool, patios, and landscaping.
- Fireplace count.
- Quality of roofing, foundation, attic and basement, if applicable.
- Garage, driveway and parking.
- Electrical, lighting and plumbing.
- Interior design features, finishes and upgrades in the home.
- Signs of water damage, leaks, termites or pest infestations.
- Smart home or security features.
- Health and safety issues, including smoke and CO2 detectors.
- Zoning ordinances, flood zone or other environmental hazards.
- Previous sale and transfer records.
- Sales and property value trends.

WHAT ARE *Contingencies?*

Contingencies, in a purchase contract, are specific conditions that must be met within a certain period of time, in order for the transaction to proceed. They act as safeguards, allowing the buyer to withdraw or renegotiate, if the terms aren't fulfilled. The most common contingencies are for the home inspection, the appraisal and loan financing contingencies. Releasing or waiving the contingencies, before the conditions have been satisfied, can be risky as it may result in the forfeiture of the earnest money deposit.



HOME INSPECTION

An inspection contingency lets the buyer inspect the property before finalizing the sale. If significant issues are found, buyers may ask for repairs, a seller credit, re-negotiate the purchase price or cancel the contract, without penalty, and receive their deposit back.



APPRAISAL

An appraisal contingency ensures that the property's appraised value meets or exceeds the purchase price. It protects the buyer from over-paying. If the property appraises for less, the buyer can renegotiate the price, or cancel the contract without losing their deposit.



LOAN CONTINGENCY

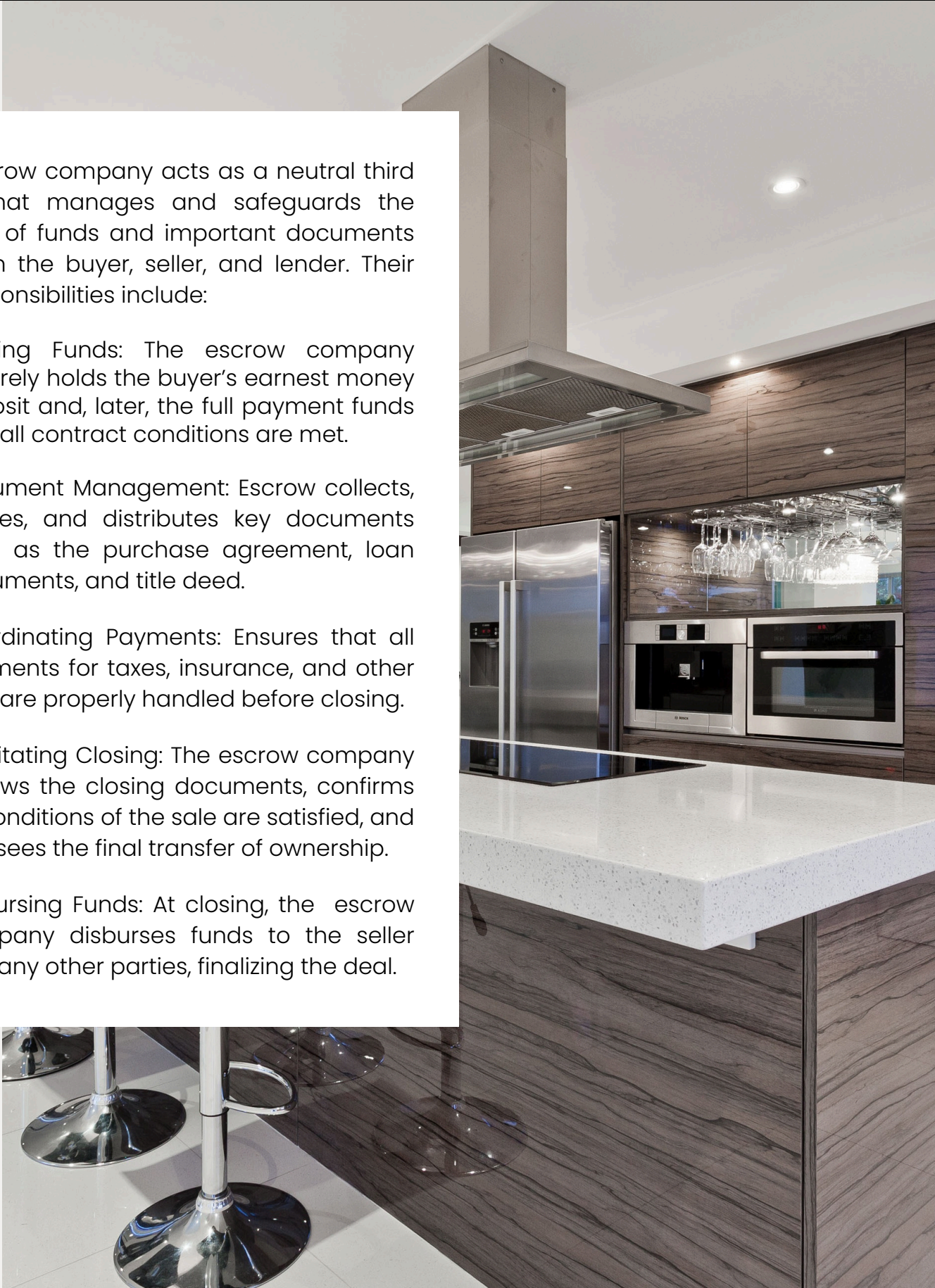
Loan contingency protects the buyer, by making the sale conditional on their ability to secure financing. If the buyer is not able to obtain a mortgage by a specified deadline, they can cancel the contract and receive their deposit back.



What DOES ESCROW DO?

The escrow company acts as a neutral third party that manages and safeguards the transfer of funds and important documents between the buyer, seller, and lender. Their key responsibilities include:

- **Holding Funds:** The escrow company securely holds the buyer's earnest money deposit and, later, the full payment funds until all contract conditions are met.
- **Document Management:** Escrow collects, verifies, and distributes key documents such as the purchase agreement, loan documents, and title deed.
- **Coordinating Payments:** Ensures that all payments for taxes, insurance, and other fees are properly handled before closing.
- **Facilitating Closing:** The escrow company reviews the closing documents, confirms all conditions of the sale are satisfied, and oversees the final transfer of ownership.
- **Disbursing Funds:** At closing, the escrow company disburses funds to the seller and any other parties, finalizing the deal.



Understanding **TITLE INSURANCE**

LENDER'S TITLE INSURANCE

A Lender's Title Insurance Policy will be required, when obtaining a mortgage. It protects the lender's interest in the property against any title issues that may arise. The title company performs the following:

- **Title Search:** The title company will research a property's ownership history, known as the "chain of title" to ensure the seller has the legal right to sell the property. They'll also conduct a thorough review of public records to identify any existing liens, claims or legal issues.
- **Title Insurance:** The title company will issue a title insurance policy, to protect the lender against future claims or disputes over property ownership, including issues like undisclosed heirs, judgments, unpaid taxes, easements, liens, forgery, fraud and other encumbrances.
- **Clearing Title Issues:** If problems are found during the title search (such as unpaid liens or errors on documents), the title company helps resolve them before closing.
- **Assisting with Closing:** The title company helps coordinate the closing process, by, ensuring that legal requirements are met, deeds and other documents are recorded properly, to ensure proper transfer of ownership.



OWNER'S TITLE INSURANCE

When taking out a mortgage, lenders require that you purchase a Lender's Title Insurance policy, to protect the lender's interest in the property.

Homebuyers can also purchase an Owner's Title Policy, which is optional, but highly recommended. An Owner's policy protects the homeowner, in the event someone sues and says they have a claim against the title, from before the homeowner purchased the property. Owner's Title Insurance is a one time purchase, that remains valid, for as long as they own the property, unless terminated earlier.

UNDERWRITING, LOAN APPROVAL & CLEAR-TO-CLOSE

UNDERWRITING

Underwriting is the process where the lender reviews the borrower's financial profile to assess their ability to repay the loan. This process involves evaluating the borrower's credit report, income, assets, employment history, and debt obligations. The underwriter also reviews the property's appraisal to ensure its value aligns with the loan amount.

LOAN APPROVAL

The underwriter will issue a Conditional Loan Approval, outlining the loan amount, interest rate, and terms, as well as any remaining conditions the borrower must fulfill before closing. Once the conditions have been satisfied, the loan will receive Final Loan Approval, indicating that the lender is ready to fund the mortgage, allowing the buyer to proceed

CLEAR-TO-CLOSE

Clear-to-close is the final approval stage in the mortgage process, indicating that the lender has completed underwriting and verified all required documents. It means the borrower has met all conditions, and the loan is ready for closing. The borrower can now proceed to the closing appointment, to finalize the transaction





CLOSING DAY!

Reaching closing day is an exciting milestone! It symbolizes the culmination of your hard work and financial preparation. Here are the final steps in your homebuying journey:

1

DOCUMENT SIGNING

You'll meet with your closing agent, to sign all the necessary documents, including the final loan documents and Deed of Trust. Be sure to bring a valid government-issued ID (such as a Driver's License) so the notary can verify your identity.

2

REVIEW THE CLOSING DISCLOSURE

The Closing Disclosure, will detail the final loan terms, including the loan amount, interest rate, monthly payments, and closing costs.

3

TRANSFER CLOSING FUNDS

Payment for the down-payment and any remaining closing costs should be paid to the escrow or title company, via a certified check or wire transfer. Loan funding occurs when the lender disburses the loan funds to the escrow or title company.

4

TITLE TRANSFER AND DEED RECORDING

The title company finalizes the transfer of the title to the buyer's name and records the deed with the county.

5

RECEIVE THE KEYS!

Once everything is signed and the recorded deeds are confirmed, you'll receive the keys and officially takes possession of your new home.

Congratulations on closing on your new home! This is a huge achievement and it marks the beginning of an exciting new chapter, as a homeowner. Now, it's time to enjoy your new home and start creating wonderful memories!

What to expect **POST-CLOSING**

Your homebuying journey doesn't end at closing. I'll continue to be your "go-to" resource, to support you as you step into your homeownership journey. It's important to know what to expect, after your home purchase has closed.

As a new homeowner, your first mortgage payment will typically be due within 30 to 60 days. If you need a duplicate copy of your mortgage statement or have questions about setting up automatic payments, I'm here to assist.

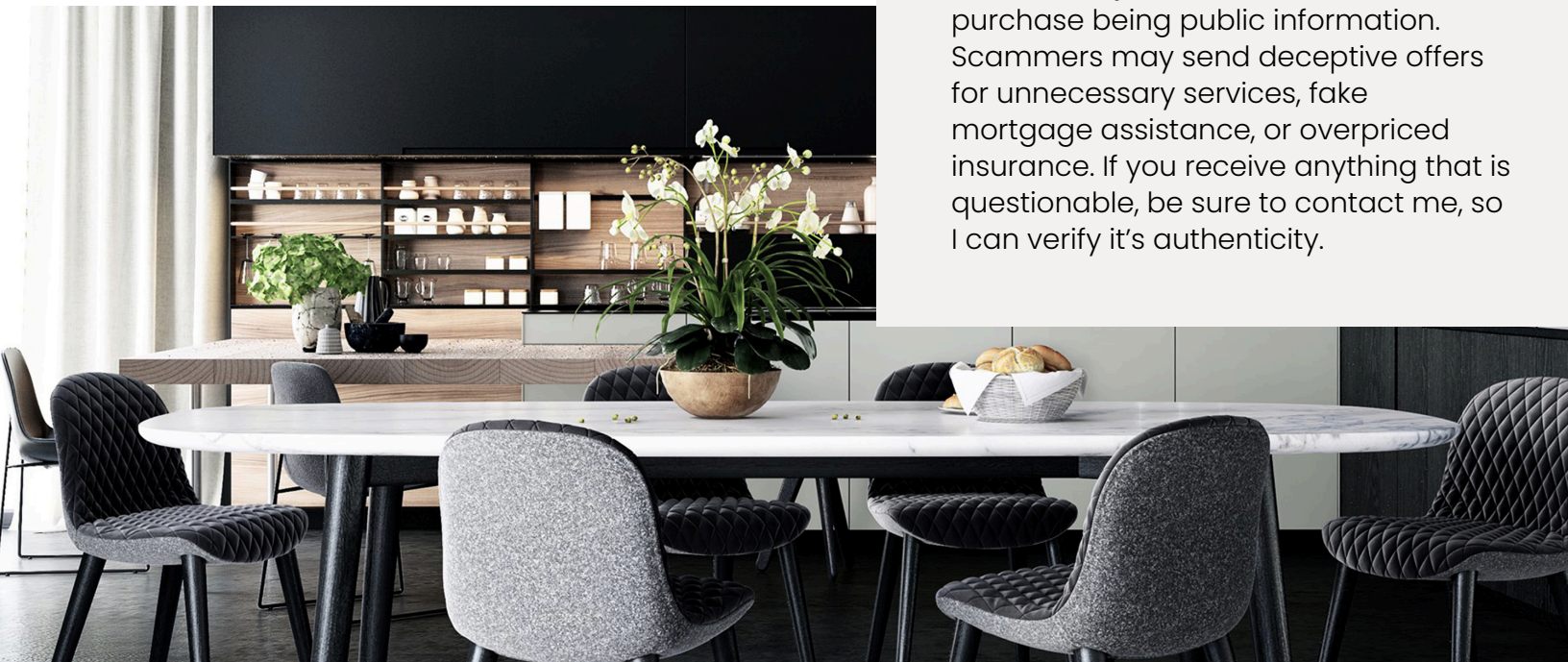
Additionally, if you're considering refinancing in the future or need advice on home equity loans, I'd be happy to discuss your options.

Homeownership comes with its share of responsibilities, but I'll always be available to provide ongoing support, to ensure you feel confident managing your mortgage and maximizing the benefits of owning your first home.

NEW HOMEOWNER

Checklist

- **SAVE KEY LEGAL DOCUMENTS**
Store all closing documents in a secure location. Key documents include the Deed, Mortgage, Promissory Note, Appraisal, Owner's Title Policy and the Final Closing Disclosure.
- **CHANGE THE LOCKS**
Change the locks, security codes, electronic key pad and garage door opener codes.
- **CHANGE ADDRESS ON ACCOUNTS**
Bank, Investment and Retirement accounts; Credit Card companies; All Insurance providers, Loan Accts; Government Agencies: IRS, Social Security Administration, DMV and Voter Registration; Medical Providers; Pet ID Tags; Employers and Schools; Delivery Subscription and Rideshare Services.
- **BEWARE OF SCAMS/JUNK MAIL**
New homeowners are often targeted by scams and junk mail, due to their recent purchase being public information. Scammers may send deceptive offers for unnecessary services, fake mortgage assistance, or overpriced insurance. If you receive anything that is questionable, be sure to contact me, so I can verify it's authenticity.





BI-WEEKLY PAYMENT *benefits*

Bi-weekly mortgage payments involve paying half of your regular monthly mortgage amount every two weeks instead of making a single payment each month. This simple adjustment results in 26 half-payments annually, which equals 13 full payments instead of 12. Over time, this extra payment can significantly reduce your loan balance, helping you pay off your mortgage faster.

One of the key benefits of bi-weekly payments is the potential for substantial interest savings. By reducing your principal balance more quickly, less interest accrues over the life of the loan, which could save you thousands of dollars. Additionally, bi-weekly payments align with many people's pay schedules, making it easier to budget for.

Before starting, ensure your lender supports bi-weekly payments and check for any fees. With proper setup, this strategy can help you build equity faster, save thousands of dollars in mortgage interest and reduce your loan term by several years.

EXAMPLE

\$300,000 LOAN AMOUNT WITH 6% INTEREST RATE

BI-WEEKLY

26 half-payments per year
\$899/every two weeks
Loan Paid off in 24.5 years
\$273,078 total interest paid

\$74,436 interest savings!
Loan term shortened by 5 1/2 years.

MONTHLY

12 monthly payments per year
\$1,799/per month
Loan paid off in 30 years
\$347,514 total interest paid

Payment shown is for principal and interest only. Property taxes, and mortgage insurance not included.

MORTGAGE FAQs

WHAT CREDIT SCORE DO I NEED TO BUY A HOME?

- FHA loans require a minimum 580 credit score.
- Conventional loans require a minimum 620 credit score.
- VA loans require a minimum 580 credit score.
- USDA loans require a minimum 640 credit score.

DO I NEED A 20% DOWN-PAYMENT?

No. While a 20% down-payment lets you avoid private mortgage insurance, most loans programs allow for much lower down-payments:

- FHA: 3.5%+ down-payment.
- Conventional: 5%+ down-payment
- VA: 0% down-payment
- USDA: 0% down-payment

WHAT IS MORTGAGE INSURANCE?

A Mortgage insurance Premium (MIP) is a type of insurance, required on all FHA loans. Private mortgage insurance (PMI) is required on conventional loans, when the down-payment is less than 20%. VA loans do not require monthly mortgage insurance. USDA loans require a monthly "guarantee fee". Mortgage insurance protects lenders, in the event that a borrower defaults on their mortgage.

WHAT ARE POINTS? AND SHOULD I PAY THEM?

Points are an optional one-time fee, paid to the lender, in exchange for a lower interest rate on your mortgage. One point is equal to 1% of the loan amount. Often referred to as "buying down the rate", paying points can be beneficial, particularly for homeowners who plan to keep their mortgage loan long enough, to recoup the cost of paying point(s).

WHAT IS AN IMPOUND ACCOUNT?

An impound account, also known as an escrow account, is a fund set up by a mortgage lender to pay property-related expenses, such as property taxes and homeowners insurance. Borrowers contribute monthly as part of their mortgage payment, and the lender pays the bills on the borrower's behalf. This ensures the timely payment of these expenses, reducing risk for both the lender and the homeowner.

WHAT ARE "GIFT FUNDS"?

Gift funds refer to money, given to a homebuyer from a family member or an acceptable donor source, to be used for the down payment and/or closing costs. The funds must be documented, with a gift letter signed by the donor, confirming that the funds are a "gift" and not a loan that needs to be repaid. Lenders require this, to ensure the funds don't impact the borrower's ability to repay the mortgage.

MORTGAGE BROKER vs BANK

What's the difference?

MORTGAGE BROKER

- Works with multiple lenders, to offer a wide variety of loan products.
- Has access to wholesale interest rates, from multiple lenders.
- Caters to borrowers with unique financial situations, such as credit issues or non-traditional income.
- Often available for questions and assistance, outside of normal business hours.
- Personalized service, to guide you through the mortgage process, answer questions, and help you find the right loan product.

RETAIL BANK

- Limited to its own mortgage products. May have fewer options..
- Can only offer its own interest rates, which may not be the lowest.
- Tends to have stricter underwriting guidelines, making it harder for some borrowers to qualify.
- Only available for questions and assistance, during normal business hours.
- Larger retail banks may offer less personalized service.



MORTGAGE *terminology*

AMORTIZATION

Amortization refers to the process of gradually paying off a loan, over a specified period of time, through regular, principal and interest payments.

ANNUAL PERCENTAGE RATE

The annual percentage rate (APR) is the total cost of borrowing, over the loan term, expressed as a percentage rate. The APR includes not only the interest rate on the loan, but also the points, fees and closing costs paid to obtain that interest rate. The APR provides a standardized way for borrowers to compare the true cost of different mortgage offers.

DEBT-TO-INCOME RATIO (DTI)

A debt-to-income ratio (DTI) is the percentage of your gross monthly income that goes towards paying your monthly debt payments.

DISCOUNT POINTS

Discount points are a one-time fee paid to a lender, to permanently lower the interest rate on a mortgage. One point is equal to 1% of the total loan amount.

ESCROW RESERVE ACCOUNT

An escrow reserve account, also known as an escrow "cushion", are funds that a borrower must pay, in advance, to set up an escrow account. It ensures that, in addition to the borrower's monthly escrow contributions, there will be sufficient funds to pay the property expenses, when due.

GIFT FUNDS

Gift funds are monetary contributions given to a borrower, from a family member or acceptable source, without the expectation of repayment. Gift funds may be used for the down payment or closing costs, when purchasing a home.

HO6 INSURANCE (FOR CONDOS)

HO6 insurance, also known as condo or "walls-in" insurance, provides coverage for personal property, liability, and other structural fixtures within a condominium unit. HO6 insurance is required in addition to the HOA's master fire insurance policy.

IMPOUND/ESCROW ACCOUNT

An impound account, also referred to as an escrow account, is set up by the lender to hold funds collected from the borrower each month to pay property taxes, homeowners insurance, and other property related expenses.

INDEX

An Index is a benchmark interest rate, such as the 1 Year CMT, SOFR, or Prime Rate, that fluctuates with market conditions. An Index is used, with a Margin, to calculate the interest rate on a HELOC or adjustable rate mortgage. (ARM).

LOAN-TO-VALUE (LTV)

Loan-to-Value (LTV) is a percentage ratio that represents the principal balance of the loan, compared to the appraised value of the property.

MORTGAGE *terminology*

MARGIN

A margin refers to the fixed percentage rate, that is added to the adjustable Index Rate, to calculate the interest rate on an Adjustable Rate Mortgage (ARM).

MORTGAGE INSURANCE PREMIUM

A mortgage insurance premium (MIP) is an on-going monthly insurance premium that borrowers are required to pay on FHA loans, to protect the lender in case of borrower default. It is paid with the monthly mortgage payment.

NON-RECURRING CLOSING COSTS

Non-recurring closing costs (NRCCs) are one-time fees and expenses that buyers or sellers pay when during the closing process.

PAYMENT RE-CASTING

Payment Recasting is when a borrower makes a lump sum payment toward the principal balance of their home loan and the loan servicer re-amortizes the loan to a new, lower monthly payment, based on the reduced principal balance.

PITI & PITIA

PITI is an acronym for principal, interest, taxes and insurance,, the four main components of a mortgage payment. PITIA is an acronym for principal, interest, taxes, insurance and association dues, for properties within an HOA community.

PRIVATE MORTGAGE INSURANCE (PMI)

Private Mortgage Insurance (PMI) is a monthly insurance premium, paid when the down payment is less than 20% on a conventional mortgage. It protects the lender against losses if the borrower defaults on the loan.

SEASONED FUNDS

Seasoned funds refer to money that has been in a borrower's bank account for a specific period of time, typically 2 or more months. Lenders often require seasoned funds to ensure they are not from loans or undisclosed sources.

SELLER CARRY-BACK

A seller carry-back is when a home seller provides financing (in part, or in whole), to the buyer. The seller acts as a lender, and carries a mortgage or deed of trust on the property.

TEMPORARY RATE BUYDOWN

A temporary rate buydown is a concession, paid for by the seller, agent or builder, which offers homebuyers a temporary, lower interest rate for the 1 to 3 years of their loan. Often referred to as a 3-2-1 buydown or a 2-1 buydown.

VESTING

Vesting refers to the manner in which title to the property is held. Common ways of vesting include community property, joint tenancy, tenants-in-common or Trust.

We're here for all of
your financing needs!

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- DSCR Loans



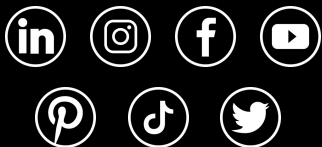
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Ready to get **PRE-APPROVED?**



Buying your first home is a significant milestone, and I'd be honored to guide you through the process. The first step to achieving your dream of homeownership is getting pre-approved for a mortgage. I'm here to make this process as seamless and stress-free as possible, ensuring you feel confident and informed every step of the way.

Whether you're just starting to explore loan options or you're ready to submit an offer, I'll work closely with you to find the mortgage solution that best fits your needs.

I'm always available to answer all your questions, so please don't hesitate to contact me via phone or email. Thank you for considering me as your trusted mortgage advisor.

Jeff Buffington