
THE KEYS TO
HOME OWNERSHIP



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UNLOCKING THE DOOR TO YOUR DREAM

Presented By:

Your Logo Here

“Home is the most popular, and will be the most enduring of all earthly establishments.”

- Channing Pollock

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What We Will Discuss



- ❖ The “5 keys” to home ownership and how they impact your ability to buy a home
- ❖ Definition of a mortgage
- ❖ The monthly payment components

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What We Will Discuss



- ❖ Benefits of a FHA loan
- ❖ How a FHA loan is determined
- ❖ Other loan types

Are You Ready to Buy a Home?

- ❖ Purchase decision
 - ❖ Timing
 - ❖ Repayment responsibility
 - ❖ Investment opportunity

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What is a Mortgage?

- ❖ A loan that is secured by real estate
- ❖ Investors use a series of criteria to identify lending standards
- ❖ Underwriters use this criteria to determine your likelihood of repayment
 - ❖ Job stability
 - ❖ Credit history
 - ❖ Assets

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What are the "Five Keys" to Homeownership?

- ❖ Key One: Job stability
- ❖ Key Two: Credit history and score
- ❖ Key Three: Available assets
- ❖ Key Four: Personal qualification factors
- ❖ Key Five: House qualification factors

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Key One: Job Stability



- ❖ Two year history
- ❖ Same line of work
- ❖ Education/training
- ❖ Seasonal gaps
- ❖ Concerns
 - ❖ Multiple job changes
 - ❖ Income instability
 - ❖ Multiple employment gaps

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Key Two: Credit History and Score Today

- ❖ Credit score definition:
 - ❖ 3 digit score typically ranges from 350-850
 - ❖ Used to objectively determine credit worthiness
- ❖ Credit score identifies the likelihood of repaying your debts



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Key Two: Credit History and Score Today

- ❖ Your credit score is determined by:
 - ❖ Length of time at residence
 - ❖ Rent or own
 - ❖ Length of time at job
 - ❖ Type of job you hold
 - ❖ How much debt you currently have
 - ❖ How often you use your credit cards
 - ❖ Type and number of credit cards/loans
 - ❖ Number of recent inquiries

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Key Two: Credit History and Score

- ❖ A credit score of 500 indicates:
 - ❖ Have a 50/50 probability of repaying debt
- ❖ A credit score of 700 indicates:
 - ❖ Have a 70/30 probability of repaying debt
- ❖ The less risk assumed, the better the rates and terms offered

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Key Two: Credit History and Score Today



❖ A credit report records your:

- ❖ Payment histories and amount of time each account has been open
- ❖ Requests for credit (inquiries)
- ❖ Personal data
- ❖ Legal proceedings data

Key Two: Credit History and Score Today

- ❖ Bankruptcy
 - ❖ Reported for 7-10 years depending on type
- ❖ Judgments
 - ❖ Reported for 7 years, whether or not satisfied
- ❖ Tax liens
 - ❖ If paid reported for 7 years; if not paid reported indefinitely
- ❖ Inaccuracies
 - ❖ Personal information
 - ❖ Credit information

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Key Three: Available Assets

- ❖ Down payment and closing costs
 - ❖ Savings must be documented
 - ❖ Cannot borrow down payment funds unless loan is secured and payment disclosed
 - ❖ Gift funds acceptable



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Key Three: Available Assets

- ❖ No down payment programs
 - ❖ State/community programs
 - ❖ Bond programs
 - ❖ Qualified veterans



Key Three: Available Assets

- ❖ Home buyer assistance definition:

- ❖ Federal, state and/or local programs that provide financial assistance to first time home buyers

- ❖ Assistance can include:

- ❖ Down payment

- ❖ Closing costs

- ❖ Interest rate buy down



Key Three: Available Assets

- ❖ To qualify for these programs:
 - ❖ First time buyer or no home ownership for at least 3 years
 - ❖ Attend a home owner's education session
 - ❖ Pay deposit of one percent or \$1,000
 - ❖ Pay for credit bureau report, appraisal and inspection out of pocket

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Key Four: Personal Qualification Factors



❖ Income

❖ Regular pay

❖ Overtime

❖ Bonus

❖ Second job/part time

❖ Retirement

❖ Social security

❖ Investments that pay out on a regular basis

Key Four: Personal Qualification Factors



- ❖ Debt to income ratio
- ❖ Sourced and seasoned funds
- ❖ Funds to close/reserves
- ❖ Rent/mortgage paid on time and verifiable

Key Five: House Qualification Factors

- ❖ Unrelated party transaction
 - ❖ Do you have a personal relationship with either the buyer or seller?

- ❖ Issues can include:

- ❖ Appraisal
- ❖ Insurance
- ❖ Inspection



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Monthly Payment Components



- ❖ Payment based on
 - ❖ Amount you borrow (principal)
 - ❖ Rate (interest)
 - ❖ Term (length of loan)
- ❖ Insurance and taxes
 - ❖ 1/12 annual cost
- ❖ Additional costs:
 - ❖ Mortgage insurance
 - ❖ Disability insurance

Monthly Payment Components



❖ PITI

❖ Principal (\$184,988)

❖ Interest (6.25%)

❖ Taxes (\$95.73)

❖ Insurance (\$28.49)

❖ Payment example

❖ \$1,104.83 (principal + interest)

❖ \$124.22 (taxes + insurance)

❖ \$1,229.05 (total payment)

Benefits of a FHA Loan

- ❖ Easier to qualify
 - ❖ FHA insures the loan
 - ❖ Lenders more willing to grant loans with lower qualifying requirements
- ❖ Less than perfect credit
 - ❖ Even with a bankruptcy, easier to qualify for than most conventional loans
- ❖ Low down payment
 - ❖ 3.5% percent down payment
 - ❖ Funds can come from:
 - ❖ Family member (gift)
 - ❖ Employer
 - ❖ Charitable organization
- ❖ Costs less
 - ❖ Competitive interest rates since insured by federal government

FHA Housing Payment Example

\$4,404.17 (gross monthly income)

x 28%

\$1,233.17 (suggested housing payment)

\$184,988.00 (purchase price)

- \$6,474.58 (3.5% down payment)

\$178,513.42 (base loan amount)

x 1% (up front mortgage insurance premium: \$1785.13)

\$180,298.55 (final loan amount)

x 5% (30 year term)

\$967.88 (principal + interest)

+ \$100.00* (taxes + insurance)

+ \$35.22 (FHA mortgage insurance)

\$1,403.11* (monthly payment)

*may vary depending on State.

FHA Debt Load Example

\$4,404.17 (gross monthly income)

x 36%

\$1,585.50 (suggested debt load)

\$300.00 (car loan)

+ \$45.00 (credit card minimum payment)

\$345.00

Total monthly expenses: \$1,574.05 (house payment + debts)

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Other Loan Products

- ❖ **Interest only** – lowers monthly obligation; no payment toward principal
- ❖ **ARM** – shorter term loan (1, 3, 5, 7, 9 years) that often has lower interest rate
- ❖ **Option ARM** – low starting rate and low payment; choose between 3-4 payment options monthly
- ❖ **30/20 or 100%** - no down payment and may not require PMI
- ❖ **No debt/no income** – higher credit score needed since debt and income aren't used as qualifiers
- ❖ **No ratio** – higher credit score needed since debt ratio not used as qualifier
- ❖ **VA** – reduced qualification requirements, finance closing costs, no down payment, no PMI
- ❖ **15, 20, 25 year amortization** – reduces number of years of payments and interest

For More Information

❖ Complete the response card to request:

❖ Informational brochures

❖ Pre-approval meeting
(indicate availability)

❖ Follow-up phone call
(indicate availability)



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Thank You!

For more information:

Your Company Name

Office telephone number

Alternate telephone number

Web site address

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