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"Your Best Interest Is My Priority"

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Four Mortgage Approval Components

- Housing ratio– See Qualification Sheet as a guide to calculating this ratio
  - How much is the new housing ratio (principal and interest, taxes, insurance, mortgage insurance premium, home owners association fee, or maintenance fees) in relation to gross income
  - Payment shock – what are your current rent/mortgage payments in relation to the proposed housing payment; most lender cap at an increase of more than 50% of your current rent
- Debt to Income Ratio (DTI) – See Qualification Sheet as a guide to calculating this ratio
  - What your total debts are as listed in a credit report plus your new housing ratio divided by your gross income. Items such as day care, life insurance, car insurance, groceries, utilities, etc. are not included in the DTI. However if you have an existing home and are purchase another home, you may have to ensure that both mortgages fit within your DTI. There are some exceptions.
- Credit Score – See Article on Quiz Self on credit Score – Credit scores now are a driving factor which highly effect the cost of your mortgage:
  - the rate on your loan
  - the mortgage insurance premium rate when borrowing be more than 80% of the purchase price
  - the fees which may be charged; especially points to buy down the rate
- Loan to value (LTV)
  - This is the maximum value the lender will lend upon. Often 97%-100%. All of the factors above play into the maximum allowed per loan. Effective Jan 1, 2009, FHA will require 3.5% down payment; the conventional lenders may follow suit.
  - For a purchase money loan, your amount of your purchase is the driver on the maximum amount to be borrowed; however, should your new dream home not appraise for the amount of the purchase the contract will have to be re-negotiated or the potential buyer will have to make a larger down payment to buy the home as the lender will not lend more than the appraised value. Be prepared that more than one appraisal may be required by the end lender in today's market.
  - For a refinance or cash out refinance, also known as a home equity loan, the maximum LTV is driven by appraised value.
    - A straight refinance with no cash out to the owner **may not** exceed 100% LTV with all cost to refinance rolled into the refinance; this LTV is different per lender and product.
    - A Cash Out Refinance – Home Equity Loan originated in the state of Texas is limited to 80% of the appraised value. Should a lien already exist this amount is subtracted from the 80% allowed amount and the remainder may be taken as cash. The cost to refinance may come from the excess or be paid by the borrower.
- What will it cost me to finance my new home, refinance my existing home or cash out on my existing home? – See the Cost Estimate Worksheet – Most fees are standard regardless of the dollar amount of your mortgage; with two fees which are based upon loan amount – the origination fee and the title policy fee (this fee is paid by the seller in a purchase money transaction.