what's a mortgage

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THE ULTIMATE MORTGAGE GUIDE

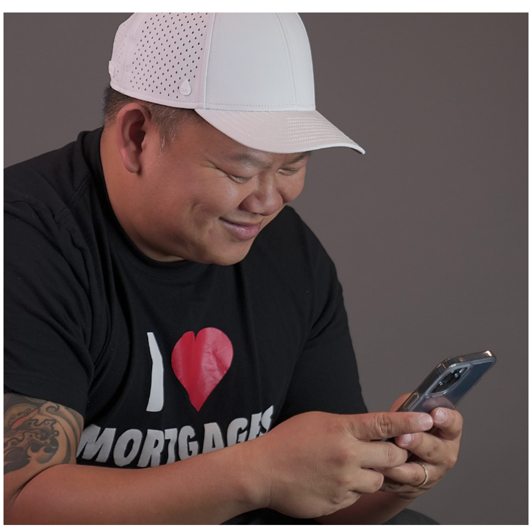
The four keys to unlocking your mortgage

Hi there! My name is Minh,

and I'm the founder of **What's A Mortgage**

I've been a professional in the mortgage industry for 20 years. I started as a loan officer and worked my way up to managing my own branch of almost 100 loan officers. Throughout my career, clients and consumers asked me the same question, "what's a mortgage?" And I realized there was such a lack of information and education about mortgages out there!

So, in 2017, I created the What's a Mortgage channel to solve that problem, and I started focusing my 20 years of experience on training, informing, and educating consumers like you!



My specialty is communicating transparently to help consumers understand the mortgage process. I've found that my passion is helping people, not selling unrealistic expectations. I believe that by educating consumers with honesty and setting realistic expectations, they will be best positioned to achieve their homeownership dreams.

Thanks for reading,

Minh

What's A Mortgage brand/mission

Over the years, I realized I had an in-depth understanding of mortgages and demonstrated more knowledge than other senior professionals. My specialty is communicating transparently to help consumers understand the mortgage process. I've found that my passion is helping people, not selling unrealistic expectations. I believe that by educating consumers with honesty and setting realistic expectations, anyone can achieve their homeownership dreams.

Guide purpose/value

Follow this guide to develop a professional understanding of the mortgage process from start to finish. I've included easy to use worksheets and cheat sheets so you can run the numbers at home.

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Chapter 1:
The secret to budgeting a mortgage payment

The secret to budgeting a mortgage payment is understanding your **debt-to-income (DTI)** ratio.

Before deciding which program is best for you or how much you need for a down payment, you need to first calculate your DTI ratio. DTI factors in how much of your income goes towards paying off debt and is given as a percentage. Banks use DTI to determine the risk of foreclosure on a home.

A high DTI means you have a higher chance of facing foreclosure. This means banks are not likely to qualify you for homeownership, OR they qualify you for a lower purchase price. A low DTI means you have a lower chance of facing foreclosure, which is ideal for banks. Banks need evidence that you are fully capable of managing debt before approving you for a mortgage loan.

Understanding DTI will help you decide if you can manage a mortgage payment or get an idea of when to start the mortgage process. With this, you can avoid the heartache of not getting approved, or not being able to afford your dream home.

The number one rule of homeownership is to...

The first chapter of this guide will teach you how to calculate your mortgage budget and how to qualify for more home if you are not happy with the estimated amount you qualified for.

There are two parts to understanding your mortgage budget. Part 1 is **how to identify** your mortgage budget. Part 2 is **how to manage** your mortgage budget.

Part 1: How to identify your mortgage budget

Identifying your mortgage budget FIRST will help you avoid the heartache of not being able to afford your dream home. Time and time again I have come across clients who fall in love with a home and then try to qualify, only to realize they cannot afford that home. Follow these three steps to identify your mortgage budget so you can find the right mortgage payment for you and enjoy home ownership.

Step 1: Determine who is going to be on the mortgage loan. If someone is helping you with the mortgage payment, but they will not be on the loan, you cannot use their income to help you qualify for the loan. You will have to qualify with your income. I have seen this happen many times. People get excited about having their friend or relative help them make their mortgage payment and in their mind they think it will help them qualify for a higher purchase price. Only to find out, they end up qualifying for a much lower price because they can't use their friend or relatives income. However, if you do decide to add co-borrower, they must have the following:

- Social Security Number (SSN)
- Must meet credit qualifications
- Proof of permanent residency, US citizenship, VISA, or be Deferred Action for Child Arrival (DACA)

Step 2: Understand your debt. Now that you have determined who will be on the loan, it's time to understand how to budget for your payment aka understanding your DTI. There are two factors that make up your DTI - front end ratio and back end ratio.

Front end debt includes all household debt, such as:
- Total mortgage payment for current property
- Principle and interest
- Property tax
- Hazard insurance
- Private Mortgage Insurance (PMI)
- Homeowners Association (HOA)

Back end debt includes front end debt, plus:
- Credit debt- Court ordered debt (alimony, child support, lawsuit)
- Government ordered debt (IRS)
- Investment/Second home

Does not include: Utility bills, phone bills or personal insurance.

Step 3: How to calculate your mortgage budget. For a more conservative mortgage payment, I typically tell my clients to multiply their gross monthly income by 45% DTI. If you want to be a little less conservative, multiply your gross monthly income by 50% DTI. This will let you know how much you can afford to spend on a mortgage payment.

For example:
Let's say your monthly gross income is $10,000. Multiply that $10,000 by 45% which will give you $4,500. That means $4,500 is the max you can afford to spend on your mortgage payment. However, keep in mind that this does not include any of your debt. Which we will go over later on in this chapter. Use this cheat sheet to help determine your mortgage budget.

DTI Cheat Sheet

Annual Household Income	Monthly Household Income	40%	45%	50%
$60,000	$5,000	$2,000	$2,250	$2,500
$70,000	$5,833	$2,333	$2,624	$2,914
$80,000	$6,667	$2,667	$3,000	$3,333
$90,000	$7,500	$3,000	$3,375	$3,750
$100,000	$8,333	$3,333	$3,749	$4,166
$110,000	$9,167	$3,667	$4,124	$4,583
$120,000	$10,000	$4,000	$4,500	$5,000
$130,000	$10,833	$4,333	$4,874	$5,416
$140,000	$11,667	$4,667	$5,249	$5,833
$150,000	$12,500	$5,000	$5,625	$6,250
$160,000	$13,333	$5,333	$6,000	$6,667
$170,000	$14,167	$5,667	$6,375	$7,083
$180,000	$15,000	$6,000	$6,750	$7,500
$190,000	$15,833	$6,333	$7,125	$7,917
$200,000	$16,667	$6,667	$7,500	$8,334

How to manage your mortgage budget

Now that you've identified your mortgage budget, let's uncover how to manage your mortgage budget in order to qualify for more home.

Conventional Loans
45/50:

Monthly Gross				Max Mortgage
$10,000	x	**50%**	=	**$5,000** max you should spend

Government Loans
45/55:

Monthly Gross				Max Mortgage
$10,000	x	**55%**	=	**$5,500** max you should spend

Conventional Loans
43/43:

Monthly Gross				Max Mortgage
$10,000	x	**43%**	=	**$4,300** max you should spend

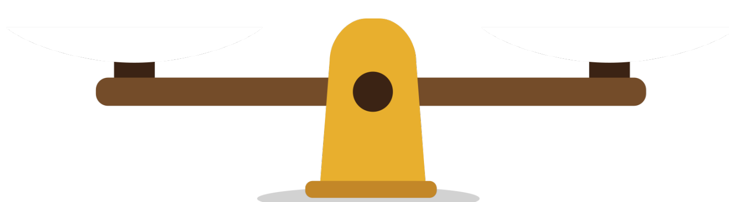
The graphic above shows perfect budget scenarios for each loan type based on DTI ratio.

The first number in the DTI ratio represents the percent you should budget for a max mortgage payment.

The second number in the DTI ratio represents the percent that you should put towards paying off debt each month, including your max mortgage payment. Conventional loans require a DTI ratio of 45/50, Government loans (such as FHA & VA) require a DTI ratio of 45/55, and Jumbo loans require a DTI ratio of 43/43.

Let's say you're getting a Conventional loan and your gross monthly income. To budget for a Conventional loan, you first want to multiply your monthly gross income by 45%. This will tell you the max mortgage payment you can afford. Then, you want to multiply your monthly gross income and multiply it by 50%. This is the max you should spend on your monthly debts, which includes your mortgage payment.

The secret to the mortgage industry is by mastering the seesaw game.



The less debt you have weighing you down, the more buying power you have. Here are four ways you can conquer the seesaw game:

1. **Drop your purchase price**
2. **Bring in a bigger down payment**
3. **Pay off debt**
4. **Add a co-signer** (only if they help you pay for the mortgage)

1. Dropping your purchase price is the first option to managing an affordable mortgage budget. Bring it down to fit your DTI ratio. Make sure you have validated income for everyone on the loan first, before dropping the purchase price.

2. Bringing in a bigger down payment is a second option to managing an affordable mortgage budget. First, make sure income is validated for everyone who will be on the loan. Second, determine what is the best down payment to bring down your DTI. Third, determine how long it will take to save for that bigger down payment. This is important because you want to make sure you can save enough before purchase prices increase. I highly recommend finding out how fast homes appreciate in the area you are looking to purchase. Lastly, you can bring in a bigger down payment to buy out your Private Mortgage Insurance (PMI) which will help make your mortgage payment affordable.

3. Paying off debt is a third option to managing an affordable mortgage payment and the strategy I recommend the MOST. Depending on the rates, paying down debt each month can increase buying power on your mortgage payment.

Here is an example scenario:
On a $50,000 mortgage with the rate at 3%, the monthly mortgage payment would be $340 a month. This means paying down $340 or more of your monthly debt can increase your buying power by $50,000-so you can then qualify for a $100,000 mortgage.

4. It can be tempting to add a co-signer to help you qualify for a mortgage. However, they can end up hurting your qualification. I've listed the qualities of the perfect cosigner to help you avoid any headaches during your home buying journey:

- Must have equal or better credit than you.
- Must have a solid job.
- Must have low to minimal debt.
- Must not currently pay for rent or a mortgage.

The Secrets to Budgeting a Mortgage Payment
Debt to Income Ratio Explained
https://youtu.be/wKEf5sWVyuM

Chapter 2:
How credit is used to qualify for a mortgage

The second chapter of this guide covers how credit is used to qualify for a home mortgage. Remember, banks need security before loaning you money for a home. First, lenders will check your public record for any issues. After that is cleared, your credit is used to determine your financial behaviors and your ability to pay back debt.

There are two factors to your credit that go into qualifying for a mortgage loan. The first part of this chapter explains **your credit score**. The second part breaks down your **monthly credit debt**.

Public Records
Public records are the first thing your lender will check before approving you for a mortgage loan. Think of it as a background check on your finances. Lenders will look for any bankruptcies, shortsales and foreclosures. Lenders and banks will season any public records after a certain number of years, depending on the loan program.

	Chapter	Chapter	Chapter	Short	Foreclosure	Repos
VA LOAN	2+	2+	OK	2+	2+	2+
FHA	2+	2+	OK	3+	3+	2+
CONVENTIONAL	4+	4+	2+	4+	7+	2+

All numbers are depicted in years

<u>Chapter 7</u>- Personal bankruptcy. This chapter of the Bankruptcy Code provides for "liquidation" - the sale of a debtor's nonexempt property and the distribution of the proceeds to creditors.

<u>Chapter 11</u>-Business bankruptcy. This chapter of the Bankruptcy Code generally provides for reorganization, usually involving a corporation or partnership. A chapter 11 debtor usually proposes a plan of reorganization to keep its business alive and pay creditors over time. People in business or individuals can seek relief in chapter 11.

<u>Chapter 13</u>- Reorganizing debt. This chapter of the Bankruptcy Code provides for adjustment of debts of an individual with regular income. Chapter 13 allows a debtor to keep property and pay debts over time, usually three to five years.

Short Sale- A short sale is the sale of a real estate property for which the lender is willing to accept less than the amount still owed on the mortgage. For a sale to be considered a short sale, these two things must be true:

1. The homeowner must be so far behind on payments that they can't catch up.
2. The housing market must have gone down so much that the house is worth less than the remaining balance on the mortgage.

In most cases, the lender (and the homeowner) will try a short sale process in order to avoid foreclosure. For example: You bought the house for $400,000 and sold it for $300,000. You owe the bank $100,000.

Foreclosure: the legal process by which a lender attempts to recover the amount owed on a defaulted loan by taking ownership of and selling the mortgaged property. Typically, default is triggered when a borrower misses a specific number of monthly

Repos: Also known as a repurchase agreement. A repo is a form of short-term borrowing for dealers in government securities. In the case of a repo, a dealer sells government securities to investors - usually on an overnight basis - and buys them back the following day at a slightly higher price.

Part 1: The truth about credit score

Your credit score is a grade that shows your lender or bank your ability to pay back debt. It is a qualification factor that tells your lender or bank if you can manage more debt. The higher the score, the better chance of getting approved for a mortgage loan.

Knowing how your bank or lender obtains your credit score, what makes up your credit score, and what is the best credit score that banks look for will help you understand why it is an important factor in getting approved for a mortgage.

This is how lenders obtain your credit score. They will pull three different scores from the three main credit bureaus:

EQUIFAX experian TransUnion

Credit bureaus use different scoring models when calculating your credit score.

Understand the difference between them so you can make sure you use the right model to run your credit when applying for a mortgage.

Credit scoring models and what they're used for:

- **FICO 8** credit scoring model is used for credit cards and student loans.
- **FICO Auto Score** model is used for car loan(s).
- **VantageScore 3** is a model used by Credit Karma.
- **FICO Score 2, 4, and 5** models are used when getting a mortgage.

Getting an accurate credit score is a process you need to go through to qualify for a mortgage. The best way to do that is to reach out to a lender and ask for a hard credit pull. DO NOT ask for a soft credit pull. Next, your lender will pull three credit scores from the three credit bureaus mentioned above. Then, the lender will use the middle credit score of the three for your mortgage qualification.

For example:
Your lender pulls 680, 700 and 735 credit scores for you. They will use 700 to score your credit.

If you have a co borrower on your application, ask your lender if they will score you based on the average of the two middle scores, OR the lowest middle score depending on the loan program's requirements.

Example:

- Borrower 1 has 600, 700, 800 credit scores.
- Borrower 2 has 650, 750, 850 credit scores.
- Depending on the loan, lenders will take the average of the middle scores, 700 and 750 which equals 725, to use for your qualification.

OR

- Depending on the loan, lenders will take the two middle scores, 700 and 750 and use the lowest middle score, 700 for your qualification.

There are five factors that make up your credit score. Each one has a different percentage of impact. Your credit score will range from 300-850 depending on each factor.

1. Payment history makes up 35% of your credit score. This includes how often you make payments on time. If you don't make on time payments, your credit score will go down.

2. Amount owed makes up 30% of your credit score. This is also the balance owed. This shows the amount of credit available vs. the amount spent. Keep your credit balance under 30% of your total credit limit or it will negatively impact your credit score.

Example: You have a credit card limit of $10,000- if you spend more than $2,900 it will make your credit score go down.

3. New credit makes up 10% of your credit score. This includes hard credit inquiries that show on your credit report.

4. Credit history makes up 15% of your credit score. Maximize your credit score by having a long term credit history. If you get a new credit account, your history length will decrease, causing your credit score to go down temporarily until you start making payments.

Example: You have 4 credit accounts all open for 10 years. You get a new credit account added to your report. Instead of 10 years of average account history, it will go down to 8 years of credit history.

5. Credit mix makes up 10% of your credit score. This includes a mix of revolving debt and installment debt.

Banks and lenders look for qualifying credit scores depending on the loan program. Each loan program has different credit score requirements in order to be approved for a mortgage loan. Be aware that just because you meet the program's minimum required credit score, doesn't mean that you will get the best deal on your mortgage. Learn the requirements for each program to see what credit score maximizes the best deal.

Government: 580 minimum

Conventional: 620 minimum

Jumbo: 680 minimum

- For a **government loan**, you will get the best deal with a 660+ credit score for automated underwriting.

- For a **conventional loan**, you will get the best deal with a 700+ credit score for lower rates and cheaper private mortgage insurance if you can't put 20% down.

- For a **jumbo loan**, you will get the best deal with a 740+ credit score for affordable monthly payment.

Affective monthly credit debt

After pulling your credit score, the next factor of credit that your bank or lender will look at is your monthly credit liabilities. Reviewing your monthly debt helps them determine if you are able to manage a mortgage loan and how much you can afford to pay off monthly. This is also based on your (and any co borrowers') gross monthly income. Refer back to Chapter 1 on DTI to get a refresher on understanding your mortgage budget. There are debts that count against you during your qualification process. By understanding and calculating your debt, you can decide what to pay off that will help you qualify for more home.

There are six debts that lenders will use to determine your qualification:

Revolving debt: the debt you've accrued from those various revolving credit lines. The two most common types of revolving debt are credit cards and lines of credit, like home equity lines of credit. With revolving debt, payments are not a set amount, but change based on your balance plus interest charges.

Installment debt: An installment debt is a loan that is repaid by the borrower in regular installments. An installment debt is generally repaid in equal monthly payments that include interest and a portion of the principal.

Mortgage debt: mortgage payment on a property you own.

Collection debt: not charge offs or medical collections.

Court ordered debt: Alimony, child support, lawsuits.

Government debt: IRS payments

Remember, the less debt you have, the more you qualify for.

Calculate your gross monthly income (and any co-borrower's income) before you start listing out your monthly debt expenses. Then, make a list of all your monthly credit liabilities and use our monthly debt worksheet to total your monthly debt expenses.

Compare your gross monthly income with your gross monthly debt to start budgeting payments towards debts that hurt your qualification. This will help you get an idea of what debts you can eliminate to qualify for more home.

Monthly Debt Worksheet:
Revolving, installment, collections & student loans

Total Monthly Income __________

Debts/Name of Creditor	Monthly Payment	Remaining Balance	Months Remaining

Total __________

Mortgage Debts

	Property Year: ______	Property Year: ______	Property Year: ______	Property Year: ______
Property name				
Gross rent recieved				
Full mortgage payment				
Other costs				
HOA				
Total				

Total __________

Credit rules for tallying up debt

There are some general rules when tallying up your monthly debt:

- Add debt that is on your credit report. This includes all credit payments except for medical collections and charge offs.

- Collections with no payment. If you have an outstanding collection balance under $2,000, leave that debt alone. If the collection balance is $2,000 or higher, multiply the total balance by 5% to start a monthly payment and add that payment to your total monthly debt.

- Student loans with no payment. If your student loan is in deferment or forbearance, take the total balance and multiply by 0.5% to start a monthly payment and add that payment to your total monthly debt. If your student loan is on income based repayment, add that to your monthly debt.

CO-SIGNER RULES

Rule 1: You cannot be the main signer on the loan to omit the debt. This is only applicable to FHA loans.

Rule 2: If you are a co-signer on someone else's credit, they have to make 12 payments before you can omit or eliminate that debt.

Rule 3: If you are the co-signer and wrote off the mortgage, you cannot omit the payment.

- If your balance has less than 10 payments left, you can omit that debt for a conventional mortgage loan. For a government loan, the installment debt payment has to be less than 5% of your monthly gross income in order to omit that payment from your monthly debt.

Now that you understand how the two factors of credit affect your mortgage qualification, you can start increasing your buying power.

How Credit is Used to Qualify for a Mortgage!
Tips and Tricks to Improve Your Credit!
https://youtu.be/1sk75yF7iR0

Chapter 3
How income is used to qualify for a mortgage

Chapter three of this guide covers how income is calculated when applying for a mortgage. Banks and lenders need proof of stable income before approving you for a mortgage loan. Not all gross earnings and income types are used to help you qualify. Part 1 reviews the **who, what and how income is used** to qualify for a mortgage. Part 2 explains **how your income is calculated** by banks and lenders to determine your mortgage qualification.

Chapter 3: Part 1
Who, why & how income is used to qualify

Before we get into how your income is calculated, you need to know whose income can help you qualify and what types of income are reviewed to determine your qualification. The gross income you earn doesn't determine how much you can afford to qualify for a mortgage loan. The amount you qualify for is based on the income(s) a lender will allow you to use when approving you for a mortgage.

First, confirm whose income you can add to help you qualify:

• Only use the income of the people who are going to be on the loan.

• Must be a permanent resident, U.S. citizen or DACA (Deferred Action for Childhood Arrivals)

• Must meet credit qualification,
    • Government loans require 580 ‹ FICO
    • Conventional loans require 620 ‹ FICO
    • Jumbo loans require 680 ‹ FICO

• For Government loans, spousal debt must be included even if they're not on the loan.

• For VA loans, only use spousal income if they meet loan requirements. You can add other veterans only if they meet loan requirements.

Income you **CAN'T** use:
• Borrower who does not meet loan requirements.
• Income with less than 2 years of history on tax statements unless you recently graduated school. That time will apply towards your income.

- Temporary disability income unless you are planning to go back to work for the same company.
- Unemployment income.
- GI bill income.
- Undocumented income:
    - Consider a non qualified mortgage for this option.
    - If you're W2 and have not filed taxes yet, you can still use that income to qualify.

When you apply for a mortgage loan, you will need to provide proof of income amount and income type. There are four types of income that lenders will review to determine your qualification:

1. FIXED
2. RENTAL
3. SELF EMPLOYED
4. WAGE EARNER (W-2)

Fixed Income

Fixed income is income that is set at a particular figure and does not vary or rise until inflation occurs. To verify fixed income you need to provide any of the following:

- State documents
- Court ordered documents
- Bank statements of successful deposit history for (at least) the past 2 months.
- Documentation that you will be receiving fixed income for (at least) 3 more years.

Award letters:

- Permanent disability
- Social Security
- Pension (retirement)

Court Ordered Income- This type of income can be used to qualify, even if you receive less than what was court ordered. Income from non court ordered agreements cannot be used in your total income under any circumstances. No matter the length that the other parent has faithfully paid you child support or alimony, if it is not court ordered then it is not guaranteed and therefore can't be counted.

Child Support - You'll need documented proof that you will receive child support for at least 3 more years.

Foster Care – You can utilize up to 25% of your foster care income.
Ex. If you collect $4,000 a month in Foster Care, you can use $1,000 a month to qualify for a mortgage.

Alimony income - a divorce decree is needed to prove the finalized terms of the divorce.

Social Security (SS) income - can be 'grossed up' because it is not taxed. That means you can take your total SS benefits and gross up the amount to a higher amount.

If the fixed income is non taxable, you can gross it up, depending on the loan program.

Non-Taxable Up-Grossed Rates

Conventional/VA/USDA	**125%**
FHA	**115%**

For veterans, the GI Bill Does not count as qualifying income.

Rental income

Rental income is payment you receive for the use or occupation of a property you own. When using your rental income to qualify, note that the qualifying amount is not the total rent payment. It's the amount left over after all the bills are paid.

Here is a simple equation to help figure it out:

______________	-	______________	-	______________	-	______________	=	______________
Rents Received (Gross)		Costs (Net)		Mortgage Payment w/Tax & Insurance		HOA (If Applicable)		Total

You can use rental income to make your monthly mortgage payments on that property. In order for you to receive valid rental income, you have to become a landlord. There are 2 types of landlords: **New & Experienced landlords.**

New landlords: 0-2 years history of receiving rental income. When buying or vacating property you can use up to 75% of the future/expected monthly rental income to help contribute to your total monthly income that is being used tocalculate your DTI.

If 75% of the rental income is higher than the mortgage payment, you can only use up to the amount that covers the monthly mortgage payment.

For example:
Let's say you rent out a duplex, you charge $2,000 rent per unit, totaling as $4,000 rent per month and the mortgage payment for the duplex is $3,000. You can use up to 75% of the $4,000 as monthly rental income, that's $3,000 of your future rental income you can contribute to your total income.

Experienced landlords: 2+ years history of receiving rental income.
If you're purchasing future property, you can use the full 75% of rental income to contribute to your total income when calculating your DTI. The income is not limited by the monthly mortgage payment amount.

If you're vacating a property to turn into a rental to purchase a new property, you can use up to 75% of the future/expected rental income of the vacated property to contribute to your DTI for the new property.

For example:
An experienced landlord has a monthly mortgage payment of $2,000 on a duplex and is collecting $2,000 in rent per unit, totaling as $4,000 in rental income. They can use $3,000 (75%) to contribute to their total income for the new loan.

Self Employed Income

Qualifying for a home with self employed income can be a challenge. In this section, we teach you how to calculate your self employed income to qualify for a home mortgage. Each type of self employed income has a different tax filing process. Below each income type is a link to the appropriate IRS tax forms.

There are 4 types of qualifying self employed income:

- **Sole Proprietorship** (Schedule C)
  https://www.irs.gov/pub/irs-pdf/f1040sc.pdf

- **C-Corp** (1120)
  https://www.irs.gov/pub/irs-pdf/f1120.pdf

- **S-Corp** (1120-S)
  https://www.irs.gov/pub/irs-pdf/f1120s.pdf

- **Limited Liability Corporation** (1120 or 1120-S or 1065)

Schedule C (Form 1040)

https://www.irs.gov/pub/irs-pdf/f1040sc.

SCHEDULE C (Form 1040)
Department of the Treasury Internal Revenue Service (99)

Profit or Loss From Business
(Sole Proprietorship)
▶ Go to *www.irs.gov/ScheduleC* for instructions and the latest information.
▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.

OMB No. 1545-0074
2021
Attachment Sequence No. 09

Name of proprietor | Social security number (SSN)

A Principal business or profession, including product or service (see instructions) | B Enter code from instructions ▶

C Business name. If no separate business name, leave blank. | D Employer ID number (EIN) (see instr.)

E Business address (including suite or room no.) ▶
City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2021? If "No," see instructions for limit on losses . ☐ Yes ☐ No

H If you started or acquired this business during 2021, check here ▶ ☐

I Did you make any payments in 2021 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

J If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ▶ ☐	1
2	Returns and allowances	2
3	Subtract line 2 from line 1	3
4	Cost of goods sold (from line 42)	4
5	**Gross profit.** Subtract line 4 from line 3	5
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6
7	**Gross income.** Add lines 5 and 6 ▶	7

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	18	Office expense (see instructions)	18
9	Car and truck expenses (see instructions)	9	19	Pension and profit-sharing plans	19
			20	Rent or lease (see instructions):	
10	Commissions and fees	10	a	Vehicles, machinery, and equipment	20a
11	Contract labor (see instructions)	11	b	Other business property	20b
12	Depletion	12	21	Repairs and maintenance	21
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	22	Supplies (not included in Part III)	22
			23	Taxes and licenses	23
			24	Travel and meals:	
14	Employee benefit programs (other than on line 19)	14	a	Travel	24a
15	Insurance (other than health)	15	b	Deductible meals (see instructions)	24b
16	Interest (see instructions):		25	Utilities	25
a	Mortgage (paid to banks, etc.)	16a	26	Wages (less employment credits)	26
b	Other	16b	27a	Other expenses (from line 48)	27a
17	Legal and professional services	17	b	**Reserved for future use**	27b

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27a ▶	28
29	Tentative profit or (loss). Subtract line 28 from line 7	29
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. **Simplified method filers only:** Enter the total square footage of (a) your home: ______ and (b) the part of your home used for business: ______. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on both **Schedule 1 (Form 1040), line 3,** and on **Schedule SE, line 2.** (If you checked the box on line 1, see instructions). Estates and trusts, enter on **Form 1041, line 3.** • If a loss, you **must** go to line 32.	31
32	If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both **Schedule 1 (Form 1040), line 3,** and on **Schedule SE, line 2.** (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on **Form 1041, line 3.** • If you checked 32b, you **must** attach **Form 6198.** Your loss may be limited.	32a ☐ All investment is at risk. 32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P **Schedule C (Form 1040) 2021**

Schedule C (Form 1040) 2021 Page **2**

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a ☐ Cost b ☐ Lower of cost or market c ☐ Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35
36	Purchases less cost of items withdrawn for personal use	36
37	Cost of labor. Do not include any amounts paid to yourself	37
38	Materials and supplies	38
39	Other costs	39
40	Add lines 35 through 39	40
41	Inventory at end of year	41
42	**Cost of goods sold.** Subtract line 41 from line 40. Enter the result here and on line 4	42

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month/day/year) ▶ / /

44 Of the total number of miles you drove your vehicle during 2021, enter the number of miles you used your vehicle for:

a Business b Commuting (see instructions) c Other

45 Was your vehicle available for personal use during off-duty hours? ☐ Yes ☐ No

46 Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

47a Do you have evidence to support your deduction? ☐ Yes ☐ No

b If "Yes," is the evidence written? ☐ Yes ☐ No

Part V Other Expenses. List below business expenses not included on lines 8–26 or line 30.

48	**Total other expenses.** Enter here and on line 27a	48

Schedule C (Form 1040) 2021

C-Corp

C-corporation is a legal structure for a corporation in which the owners, or shareholders, are taxed separately from the entity.

Steps to calculate usable income as a C-Corp:

<u>Step 1</u>: Look at your completed 1120 Form, line 30 is your Taxable income.
<u>Step 2</u>: On page 1, line 20, Depreciation. Add back to line 30.
<u>Step 3</u>: On page 1, line 21, Depletion. Add back to line 30
That will give you your total yearly income.
<u>Step 4</u>: Then on page 6, Schedule L, Line 17C. Subtract from line 30.
<u>Step 5</u>: Take that sum and divide by 12 and that will give your total monthly usable income.

Form 1120

https://www.irs.gov/pub/irs-pdf/f1120.pdf

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2021 or tax year beginning ______, 2021, ending ______, 20 ___

▶ Go to *www.irs.gov/Form1120* for instructions and the latest information.

OMB No. 1545-0123

2021

A Check if:
1a Consolidated return (attach Form 851) ☐
b Life/nonlife consolidated return ☐
2 Personal holding co. (attach Sch. PH) ☐
3 Personal service corp. (see instructions) ☐
4 Schedule M-3 attached ☐

TYPE OR PRINT
Name
Number, street, and room or suite no. If a P.O. box, see instructions.
City or town, state or province, country, and ZIP or foreign postal code

B Employer identification number
C Date incorporated
D Total assets (see instructions)
$

E Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

Income	1a	Gross receipts or sales	1a	
	b	Returns and allowances	1b	
	c	Balance. Subtract line 1b from line 1a		1c
	2	Cost of goods sold (attach Form 1125-A)		2
	3	Gross profit. Subtract line 2 from line 1c		3
	4	Dividends and inclusions (Schedule C, line 23)		4
	5	Interest		5
	6	Gross rents		6
	7	Gross royalties		7
	8	Capital gain net income (attach Schedule D (Form 1120))		8
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		9
	10	Other income (see instructions—attach statement)		10
	11	**Total income.** Add lines 3 through 10 ▶		11
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (see instructions—attach Form 1125-E) ▶		12
	13	Salaries and wages (less employment credits)		13
	14	Repairs and maintenance		14
	15	Bad debts		15
	16	Rents		16
	17	Taxes and licenses		17
	18	Interest (see instructions)		18
	19	Charitable contributions		19
	20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)		20
	21	Depletion		21
	22	Advertising		22
	23	Pension, profit-sharing, etc., plans		23
	24	Employee benefit programs		24
	25	Reserved for future use		25
	26	Other deductions (attach statement)		26
	27	**Total deductions.** Add lines 12 through 26 ▶		27
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.		28
	29a	Net operating loss deduction (see instructions)	29a	
	b	Special deductions (Schedule C, line 24)	29b	
	c	Add lines 29a and 29b		29c
Tax, Refundable Credits, and Payments	30	**Taxable income.** Subtract line 29c from line 28. See instructions		30
	31	Total tax (Schedule J, Part I, line 11)		31
	32	Reserved for future use		32
	33	Total payments and credits (Schedule J, Part III, line 23)		33
	34	Estimated tax penalty. See instructions. Check if Form 2220 is attached ▶ ☐		34
	35	**Amount owed.** If line 33 is smaller than the total of lines 31 and 34, enter amount owed		35
	36	**Overpayment.** If line 33 is larger than the total of lines 31 and 34, enter amount overpaid		36
	37	Enter amount from line 36 you want: **Credited to 2022 estimated tax ▶** **Refunded ▶**		37

Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Signature of officer | Date | Title
May the IRS discuss this return with the preparer shown below? See instructions. ☐ **Yes** ☐ **No**

Paid Preparer Use Only
Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN
Firm's name ▶ | Firm's EIN ▶
Firm's address ▶ | Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11450Q Form **1120** (2021)

Form 1120 (2021) Page **2**

Schedule C	**Dividends, Inclusions, and Special Deductions** (see instructions)	(a) Dividends and inclusions	(b) %	(c) Special deductions (a) × (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		50	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		65	
3	Dividends on certain debt-financed stock of domestic and foreign corporations		See instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		23.3	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		26.7	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs		50	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs		65	
8	Dividends from wholly owned foreign subsidiaries		100	
9	**Subtotal.** Add lines 1 through 8. See instructions for limitations		See instructions	
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from affiliated group members		100	
12	Dividends from certain FSCs		100	
13	Foreign-source portion of dividends received from a specified 10%-owned foreign corporation (excluding hybrid dividends) (see instructions)		100	
14	Dividends from foreign corporations not included on line 3, 6, 7, 8, 11, 12, or 13 (including any hybrid dividends)			
15	Reserved for future use			
16a	Subpart F inclusions derived from the sale by a controlled foreign corporation (CFC) of the stock of a lower-tier foreign corporation treated as a dividend (attach Form(s) 5471) (see instructions)		100	
b	Subpart F inclusions derived from hybrid dividends of tiered corporations (attach Form(s) 5471) (see instructions)			
c	Other inclusions from CFCs under subpart F not included on line 16a, 16b, or 17 (attach Form(s) 5471) (see instructions)			
17	Global Intangible Low-Taxed Income (GILTI) (attach Form(s) 5471 and Form 8992)			
18	Gross-up for foreign taxes deemed paid			
19	IC-DISC and former DISC dividends not included on line 1, 2, or 3			
20	Other dividends			
21	Deduction for dividends paid on certain preferred stock of public utilities			
22	Section 250 deduction (attach Form 8993)			
23	**Total dividends and inclusions.** Add column (a), lines 9 through 20. Enter here and on page 1, line 4			
24	**Total special deductions.** Add column (c), lines 9 through 22. Enter here and on page 1, line 29b			

Form **1120** (2021)

S-CORP

S corporation (aka S subchapter), is a domestic corporation not having more than 100 shareholders. To qualify as an eligible shareholder you must have one class of stock.

Steps to calculate usable income as a S-Corp:

Step 1: Look at your completed 1120-S Form, line 21, Ordinary business income
Step 2: On page 1, line 12, Depreciation, Add back to line 21.
Step 3: On page 1, line 15, Depletion. Add back to line 21
That will give you your total yearly net income.
Step 4: Then on page 4, Schedule L, Line 17C. Subtract from line 21.
Step 5: Take that sum and divide by 12 and that will give you the total monthly usable income.

Form 1120-S

https://www.irs.gov/pub/irs-pdf/f1120s.pdf

Form **1120-S** — Department of the Treasury, Internal Revenue Service

U.S. Income Tax Return for an S Corporation

▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
▶ Go to *www.irs.gov/Form1120S* for instructions and the latest information.

OMB No. 1545-0123 — 2021

For calendar year 2021 or tax year beginning , 2021, ending , 20

A S election effective date
B Business activity code number (see instructions)
C Check if Sch. M-3 attached ☐

TYPE OR PRINT — Name; Number, street, and room or suite no. If a P.O. box, see instructions.; City or town, state or province, country, and ZIP or foreign postal code

D Employer identification number
E Date incorporated
F Total assets (see instructions) $

G Is the corporation electing to be an S corporation beginning with this tax year? See instructions. ☐ Yes ☐ No
H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination
I Enter the number of shareholders who were shareholders during any part of the tax year ▶
J Check if corporation: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1a	Gross receipts or sales	1a
	b	Returns and allowances	1b
	c	Balance. Subtract line 1b from line 1a	1c
	2	Cost of goods sold (attach Form 1125-A)	2
	3	Gross profit. Subtract line 2 from line 1c	3
	4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)	4
	5	Other income (loss) (see instructions—attach statement)	5
	6	**Total income (loss).** Add lines 3 through 5 ▶	6
Deductions (see instructions for limitations)	7	Compensation of officers (see instructions—attach Form 1125-E)	7
	8	Salaries and wages (less employment credits)	8
	9	Repairs and maintenance	9
	10	Bad debts	10
	11	Rents	11
	12	Taxes and licenses	12
	13	Interest (see instructions)	13
	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	14
	15	Depletion **(Do not deduct oil and gas depletion.)**	15
	16	Advertising	16
	17	Pension, profit-sharing, etc., plans	17
	18	Employee benefit programs	18
	19	Other deductions (attach statement)	19
	20	**Total deductions.** Add lines 7 through 19 ▶	20
	21	**Ordinary business income (loss).** Subtract line 20 from line 6	21
Tax and Payments	22a	Excess net passive income or LIFO recapture tax (see instructions)	22a
	b	Tax from Schedule D (Form 1120-S)	22b
	c	Add lines 22a and 22b (see instructions for additional taxes)	22c
	23a	2021 estimated tax payments and 2020 overpayment credited to 2021	23a
	b	Tax deposited with Form 7004	23b
	c	Credit for federal tax paid on fuels (attach Form 4136)	23c
	d	Add lines 23a through 23c	23d
	24	Estimated tax penalty (see instructions). Check if Form 2220 is attached ▶ ☐	24
	25	**Amount owed.** If line 23d is smaller than the total of lines 22c and 24, enter amount owed	25
	26	**Overpayment.** If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	26
	27	Enter amount from line 26: **Credited to 2022 estimated tax** ▶ Refunded ▶	27

Sign Here — Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Signature of officer / Date / Title — May the IRS discuss this return with the preparer shown below? See instructions. ☐ Yes ☐ No

Paid Preparer Use Only — Print/Type preparer's name / Preparer's signature / Date / Check ☐ if self-employed / PTIN
Firm's name ▶ / Firm's EIN ▶
Firm's address ▶ / Phone no.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11510H Form **1120-S** (2021)

Form 1120-S (2021) Page **2**

Schedule B Other Information (see instructions) — Yes / No

1 Check accounting method: a ☐ Cash b ☐ Accrual c ☐ Other (specify) ▶
2 See the instructions and enter the: a Business activity ▶ b Product or service ▶
3 At any time during the tax year, was any shareholder of the corporation a disregarded entity, a trust, an estate, or a nominee or similar person? If "Yes," attach Schedule B-1, Information on Certain Shareholders of an S Corporation
4 At the end of the tax year, did the corporation:
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total stock issued and outstanding of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below

(i) Name of Corporation	**(ii)** Employer Identification Number (if any)	**(iii)** Country of Incorporation	**(iv)** Percentage of Stock Owned	**(v)** If Percentage in (iv) Is 100%, Enter the Date (if applicable) a Qualified Subchapter S Subsidiary Election Was Made

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below

(i) Name of Entity	**(ii)** Employer Identification Number (if any)	**(iii)** Type of Entity	**(iv)** Country of Organization	**(v)** Maximum Percentage Owned in Profit, Loss, or Capital

5a At the end of the tax year, did the corporation have any outstanding shares of restricted stock?
If "Yes," complete lines (i) and (ii) below.
(i) Total shares of restricted stock ▶
(ii) Total shares of non-restricted stock ▶
b At the end of the tax year, did the corporation have any outstanding stock options, warrants, or similar instruments?
If "Yes," complete lines (i) and (ii) below.
(i) Total shares of stock outstanding at the end of the tax year ▶
(ii) Total shares of stock outstanding if all instruments were executed ▶
6 Has this corporation filed, or is it required to file, **Form 8918,** Material Advisor Disclosure Statement, to provide information on any reportable transaction?
7 Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ ☐
If checked, the corporation may have to file **Form 8281,** Information Return for Publicly Offered Original Issue Discount Instruments.
8 If the corporation **(a)** was a C corporation before it elected to be an S corporation **or** the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation, **and (b)** has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years. See instructions ▶ $
9 Did the corporation have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions
10 Does the corporation satisfy one or more of the following? See instructions
a The corporation owns a pass-through entity with current, or prior year carryover, excess business interest expense.
b The corporation's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than $26 million and the corporation has business interest expense.
c The corporation is a tax shelter and the corporation has business interest expense.
If "Yes," complete and attach Form 8990.
11 Does the corporation satisfy **both** of the following conditions?
a The corporation's total receipts (see instructions) for the tax year were less than $250,000.
b The corporation's total assets at the end of the tax year were less than $250,000.
If "Yes," the corporation is not required to complete Schedules L and M-1.

Form **1120-S** (2021)

LIMITED LIABILITY CORP (LLC)

Limited liability corporation (LLC) is a corporate structure in the U.S. where the owners are not personally liable for the company's debts or liabilities. An LLC is a hybrid entity that combines the characteristics of a corporation with those of a partnership or sole proprietorship.

To calculate usable income as an LLC, follow steps for S-Corp 1120-S.

WAGE EARNER W2 INCOME

Wage earner (W2), is the most common type of income.
To calculate your base income as a W2 employee, take your hourly rate and multiply it by the hours you worked.

For example:
- $20/hour multiplied by 40 hours/week. Your weekly income is $800.
- Since there are 52 weeks in a year, multiply $800 by 52.
- Your base annual pay, if you work 40 hours regularly, is $41,600.
- Take that $41,600 and divide it by 12 (months) and your monthly income is $3,466.

Bonuses are averaged over a period of 24 months. Therefore, there must be a history of receiving bonuses for the past 2 years. An underwriter may exclude this income if there is no history of bonuses. Declining bonuses will also affect the average.

Overtime is averaged over a period of 24 months. Therefore, there must be a history of receiving overtime for the past 2 years. An underwriter may exclude this income if there is no history of overtime. Declining overtime will also affect the average.

Commission is averaged over a period of 24 months. Therefore, there must be a history of receiving commission for the past 2 years. An underwriter may exclude this income if there is no history of commission. Declining commission will also affect the average.

______	+	______	+	______	+	______
Base Salary		Overtime (If applicable)		Bonus (If applicable)		Commission (If applicable)

Total Income ______________

VERIFICATION OF EMPLOYMENT (VOE)

Verification of employment (VOE), is a US form used by banks and mortgage lenders to review the borrower's employment history to determine job stability and cross-reference income history stated on the Residential Loan Application (Form 1003). Lenders require a complete VOE declaring all positions held for the last two years of employment history.

VOE Guidelines

- Copies. We can accept faxed or emailed forms (does not need to be the original).
- Printing instruction. This form must be printed on letter size paper using portrait (vertical) format.

Instructions:

- The applicant must sign this form to authorize his or her employer(s) to release the requested information.
- Separate forms should be sent to each firm that employed the applicant in the past two years.

However, rather than having an applicant sign multiple forms, the lender may have the applicant sign a borrower's authorization to release information form, which gives the lender blanket authorization to request the information he needs to evaluate the applicant's creditworthiness.

When the lender uses this type of blanket authorization, he must attach a copy of the authorization form to each 1005 form which is sent to the applicant's employer(s).

First mortgages

The lender must send the request directly to the employer(s). They will not permit the borrower to hand-carry the verification form to the employer(s). The lender must receive the completed form directly from the employer. The completed form should not be passed through the applicant or any other party.

Second mortgages

The borrower may hand-carry verification forms to the employer. The employer will then be required to mail this form directly to the lender. The lender retains the original form in the mortgage file.

Request for Verification of Employment

https://singlefamily.fanniemae.com/media/13861/display

Request for Verification of Employment

Privacy Act Notice: This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not your application for approval as a prospective mortgagor or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et. seq. (if HUD/FHA); by 42 USC, Section 1452b (if HUD/CPD); and Title 42 USC, 1471 et. seq., or 7 USC, 1921 et. seq. (if USDA/FmHA).

Instructions: **Lender** — Complete items 1 through 7. Have applicant complete item 8. Forward directly to employer named in item 1.
Employer — Please complete either Part II or Part III as applicable. Complete Part IV and return directly to lender named in item 2.
The form is to be transmitted directly to the lender and is not to be transmitted through the applicant or any other party.

Part I — Request

1. To (Name and address of employer)	2. From (Name and address of lender)

I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.

3. Signature of Lender	4. Title	5. Date	6. Lender's Number (Optional)

I have applied for a mortgage loan and stated that I am now or was formerly employed by you. My signature below authorizes verification of this information.

7. Name and Address of Applicant (include employee or badge number)	8. Signature of Applicant

Part II — Verification of Present Employment

9. Applicant's Date of Employment	10. Present Position	11. Probability of Continued Employment

12A. Current **Gross** Base Pay (Enter Amount and Check Period)

$ ________

- ☐ Annual
- ☐ Hourly
- ☐ Monthly
- ☐ Other (Specify)
- ☐ Weekly

12B. **Gross** Earnings

Type	Year To Date	Past Year	Past Year
Base Pay	Thru ______ $	$	$
Overtime	$	$	$
Commissions	$	$	$
Bonus	$	$	$
Total	$ 0.00	$ 0.00	$ 0.00

13. For Military Personnel Only

Pay Grade

Type	Monthly Amount
Base Pay	$
Rations	$
Flight or Hazard	$
Clothing	$
Quarters	$
Pro Pay	$
Overseas or Combat	$
Variable Housing Allowance	$

14. If Overtime or Bonus is Applicable, Is Its Continuance Likely?

Overtime	☐ Yes	☐ No
Bonus	☐ Yes	☐ No

15. If paid hourly — average hours per week

16. Date of applicant's next pay increase

17. Projected amount of next pay increase

18. Date of applicant's last pay increase

19. Amount of last pay increase

20.Remarks (If employee was off work for any length of time, please indicate time period and reason)

Part III — Verification of Previous Employment

21. Date Hired

22. Date Terminated

23. Salary/Wage at Termination Per (Year) (Month) (Week)

Base ____________ Overtime ____________ Commissions ____________ Bonus ____________

24. Reason for Leaving	25. Position Held

Part IV — Authorized Signature

Part IV — Authorized Signature - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.

26. Signature of Employer	27. Title (Please print or type)	28. Date
29. Print or type name signed in Item 26	30. Phone No.	

Law of Averaging

When calculating your income, you need to look at all of the different sources you can pull your income from. If your current annual income is higher than your last year's income, add your two years of income of your net proceeds and divide that by 24. On the other hand, if the recent year is less than your prior year, you can total your current year income and divide by 12. With this number we will be able to determine your DTI ratio percentage later on in this workbook.

The next few pages will help you figure out all of the numbers you need to fill in the blank

2019

________	________	________	________	________
Fixed Income	Rental Income	Self-employed	Wage-earner	Total Income

2020

________	________	________	________	________
Fixed Income	Rental Income	Self-employed	Wage-earner	Total Income

Income Calculation

If you made **MORE** this year

$$\frac{\text{2019 + 2020 Total Income}}{\text{24 Months}}$$

If you made **LESS** this year

$$\frac{\text{2019 + 2020 Total Income}}{\text{24 Months}}$$

Total Income ____________

How is income calculated?

Income is calculated in many different ways, depending on the type of income and loan program. These are the seven ways it can be calculated:

As is: The number currently stated on your income.

Grossing up: Round up your annual income.
(FHA- Gross up to 115%)
(Conventional/USDA/VA- Gross up to 125%)

Grossing down: Round down your annual income.

12 month average: Gross average monthly income for the last 12 months.

24 month average: Gross average monthly income for the last 24 months.

Year to date: Gross number you've earned from the start of the year to the current date.

Worst case scenario: Income from your lowest grossing year.

HOW FIXED INCOME IS CALCULATED

Taxable Fixed income: Calculated "as is".

- Court ordered/government documents the banks will go off of your award letter or court ordered documents and use that income to qualify you.

- When using Retirement income, the banks will go off of your distribution letter or tax returns and use that income to qualify you.

Non taxable fixed income: Gross up 15-25% depending on the loan program.

- Conventional loans will gross up your monthly income by 15%
  Example: $2,500 monthly X 15%= $2,875 monthly

- Government loans will gross up your monthly income by 25%
  Example: $2,500 monthly X 25%= $3,125 monthly

How rental income is calculated

New or vacating rent:

- Gross down 75%. You can use up to 75% of your rental income to qualify for a mortgage.

  Example: $4,000 monthly rental income X 75%= $3,000 qualified as rental income.

Existing rent:

- Take the average of 12-24 months.
- Rental income is calculated as the amount left over as profit on tax returns. It is NOT the total rent amount received.
- The banks will look at your Schedule E form and take the average of either 12 or 24 months, depending on how long you have had the property.
- You can use 75% of the fair market value rent.

How self employed income is calculated

24 month average:

- The company has existed for at least 2 years.
- Applies to all loan programs.

12 month average loophole:

Only applies to conventional loan program IF

- You have a 700+ FICO credit score
- Downpayment of 5-10%
- The company has existed for 5 years OR
- You have been self employed for at least 5 years

How Wage earner (w-2) income is calculated

Hours and salary income: Calculated as is.

- If you receive a raise, you have to wait 30 days to use your new income.
- If you start a new job or change companies, you have to wait 30 days to use your new income.

Overtime/Bonus/Part time/Seasonal/Commision: Calculated as average

- 12 month average
- 24 month average
- Year to date

Income rules

Rule 1: You'll need two + years of documented proof that you've received bonuses, commission or overtime. If you don't have proof, then just your yearly base income will be used to qualify.

Rule 2: If you transition from W2 income to self employed income, you will need to match the income earned on W2 for 12 consecutive months.

Rule 3: If you transition from self-employed to W2, you only need to provide one month of paystubs.

Rule 4: If you're a recent graduate, you can provide a copy of your diploma/ transcripts as employment history if you were unemployed for at least 2 years during school.

Rule 5: If you have an employment gap that is under a 6 month long period, you only need one month of paystubs to qualify as your income. If you were unemployed for longer than 6 months, then you will need to work for 12 months and provide 12 months of pay stubs to be eligible.

Rule 6: If you change to a job that now provides bonuses or overtime, you cannot use those as qualifying income. You need proof of stable bonuses/overtime for at least 2 years.

Rule 7: If you work a seasonal or part-time job, you need 2 years of work history in order to use that income to qualify.

Rule 8: If you currently have two jobs, you need to provide simultaneous income history for both in order to qualify. If you recently got a second job, you will need at least one month of paystubs in order to use both incomes.

Rule 9: If you're employed through a temp agency or union, you will need to provide income history for 2 years with gaps no longer than 6 months. If you have less than 2 years of income history at a temp agency or union, your income is calculated using the law of averaging.

COVID Rule: If you were laid off due to covid and found employment within 12 months, you only need to provide one month of pay stubs to qualify.

(Grossing up)

• FHA- 115%
• Conventional/USDA/VA- 125%

How income is used to Qualify for a Mortgage
What is the right type of income?
https://youtu.be/QyLvVwylnhw

Chapter 4:
Finding the Perfect Down Payment

Down payment is an essential factor of financing a home mortgage loan. When budgeting to buy a home, expect to cover closing costs and an upfront down payment. These costs don't necessarily need to be pulled out of pocket.

There are several qualifying types of down payment you can use immediately that don't require you to take out a lump sum from your savings account. Many assets are a qualifying source of down payment. Also, there is no finish line in sight when racing to save for your down payment. Many buyers can't save money fast enough compared to the rate of homes being bought.

The key to saving is to pace yourself and be ready to buy when the time is right. How much you should save should be calculated after you evaluate all your qualifying sources of down payment. Chapter 4 breaks down **types of qualified down payment** and **how much you should save** for down payment.

Types of Qualifed Down Payment

Part 1 helps you evaluate your assets to see which ones you can use towards down payment before you start the race to save. Once you discover the qualifying assets, you will need to provide proof of assets. We go over how to source them and what information you need to do so. Here are the five qualifying assets for down payment:

- **Liquid**
- **Retirement**
- **Equity**
- **Gift**
- **Down payment assistance (DPA)**

1. Liquid

Liquid assets are any sources you can liquidate and turn into cash. These are sources that put cash directly into your bank account, such as:

- Checking/savings accounts
- Certificate of deposit (CD)
- Crypto currency
- Sales from cars, furniture, jewelry (any items you can pawn) etc.
- Business accounts

You cannot liquidate credit cards!

In order to use liquid assets that qualify for down payment there are some rules:

Rule 1: You have to be the owner of the asset.

Rule 2: You have to be able to source the money immediately.

- Payroll deposits are the easiest to source.

Rule 3: Lenders need proof you're not a straw buyer (waiting until escrow to deposit the money from assets).

- 2 months of recent bank statements.
- Quarterly statement.
- Beginning balance determines your ability to cover down payment and closing costs.

Rule 4: For crypto, CD and item sales-

- Must provide proof of ownership, proof of value and the receipt must match the deposit.

Rule 5: Proof of ownership when transferring money between accounts.

- If you own a foreign account, banks will need an affidavit with translated proof that you own that account.

Sourcing Hacks

Conventional loans: You're allowed one random deposit that you don't have to source as long as it's less than 50% of your monthly income.
FHA loans: You're allowed one random deposit that you don't have to source if it's less than 1% of the purchase price.

2. Retirement

If you have a retirement account through your job, you can use that as a qualifying source for down payment. There are two types of qualifying retirement assets:

- Pre taxed
- 401K/Traditional IRA
- 457 and 403B. Technically, your 457 and 403b can not be used as a source of down payment because you can only withdraw from these accounts for unforeseeable emergencies. BUT, as of recently, third party custodians (the third party that manages that retirement) have been allowing people to declare buying a home as an unforeseeable emergency. Reach out to your servicer and see if they will allow you to declare buying a home as an unforeseeable emergency.
- Post taxed
- Roth IRA
- Sep IRA

*Delayed income is NOT a qualifying source for down payment (pension income)

How to use pre taxed:

Hardship:
- Draw up to $10,000 without penalties
- More than $10,000 has penalties.
- Subject to income tax.
- Cool off period.

Loan:
- Can only borrow 50% of contribution.
- Loan typically due in 15-20 years that won't affect DTI.
- Interest rate varies BUT interest goes back to the consumer.
- Not subject to income tax or cool off period.

How to use post taxed:
- Withdraw direct contributions at any time...you already paid taxes on that money!

Hardship:
- Draw up to $10,000 in Roth IRA earnings.
- Not subject to tax or penalty if you meet certain criteria.

3. Equity

If you currently own a home, you have equity that you can use for down payment. There are four ways you can use equity for a qualifying down payment:
- Proceeds from a sale of a house
    - If you're selling a home, get a seller's net sheet
    - If you're buying a home, get a fee worksheet

- Home equity line of credit
    - Variable rate
    - Interest only
    - You start paying interest as soon as you use the money
    - After 10 years it will become a 20 year amortized loan

- Close end 2nd
    - Fixed rate
    - Principal and interest payments
    - Interest starts as soon as the loan closes
    - Amortized over 10,15,20, 25 or 30 years.

- Cash out refinance

4. Gift

We all love gifts! There are requirements when using gift funds for down payment:

- Gift funds must be from a family member.
    - NOT a loan...it has to be a gift with no strings attached.
    - NOT from a retirement account.

- For primary residents only.

- Gift funds can be used for down payment AND closing costs.

Here’s how to use gift funds towards down payment:

Liquid asset sourced funds:
- Proof of ability to gift
- Proof from bank to bank
- Proof from bank to escrow

5. Down payment assistance

Down payment assistance is a popular choice for buyers. There are three types of DPA:

- Loan
    - 2nd or 3rd loan
    - Lower interest rate
- Grant
    - Forgiven over time
    - Forgiven immediately
    - Higher interest rate
- Shared equity
    - Sourced when selling or refinancing your home
    - Generally 20% down.

Review all your assets and where you can pull from to help spare your savings account. Get ready to discover how much to save in part 2!

Chapter 4: Part 2
How much to save for a down payment

The race to save for down payment is winnable if you pace yourself. The finish line is not reaching a specific dollar amount, it's matching the down payment percentage with the correct purchase price. Down payment options are calculated percentages based on the purchase price and property type. Referring back to part 1 of this chapter, qualified down payment is any asset you can easily source and prove ownership of. Depending on the loan program and property type, down payment options typically range between 0% and 25%.

	3%	3.5%	5%	10%	15%	20%	25%
$400,000	$12,000	$14,000	$20,000	$40,000	$60,000	$80,000	$100,000
$425,000	$12,750	$14,875	$21,2500	$42,500	$63,750	$85,000	$106,250
$450,000	$13,500	$15,750	$22,500	$45,000	$67,500	$90,000	$112,500
$475,000	$14,250	$16,625	$23,750	$47,500	$71,250	$95,000	$118,750
$500,000	$15,000	$17,500	$25,000	$50,000	$75,000	$100,000	$125,000
$525,000	$15,750	$18,375	$26,250	$52,500	$78,750	$105,000	$131,250
$550,000	$16,500	$19,250	$27,500	$55,000	$82,500	$110,000	$137,500
$575,000	$17,250	$20,125	$28,750	$57,500	$86,250	$115,000	$143,750
$600,000	$18,000	$21,000	$30,000	$60,000	$90,000	$120,000	$150,000
$625,000	$18,750	$21,875	$31,250	$62,500	$93,750	$125,000	$156,250
$650,000	$19,500	$22,750	$32,500	$65,000	$97,500	$130,000	$162,500
$675,000	Not Available	$23,625	$33,750	$67,500	$101,250	$135,000	$168,750
$700,000	Not Available	$24,500	$35,000	$70,000	$105,000	$140,000	$175,000
$725,000	Not Available	$25,375	$36,250	$72,500	$108,750	$145,000	$181,250
$750,000	Not Available	$26,250	$37,500	$75,000	$112,500	$150,000	$187,500
$775,000	Not Available	$27,125	$38,750	$77,500	$116,250	$155,000	$193,750
$800,000	Not Available	$28,000	$40,000	$80,000	$120,000	$160,000	$200,000

Keep in mind loan limits change every year. We will update this cheat sheet accordingly.

Loan to Value (LTV)

Look at the value of appreciation in the area of where you want to buy. Ask yourself, can you realistically save down payment fast enough compared to the appreciating value of homes in that area? If you realize you can't quite reach your down payment percentage goal in the next 24 months, start rethinking the location you want to buy in. Also, each loan program has a minimum percent required for down payment based on property type. It's important that you explore your options for each loan programs' requirements.

Conventional:

Primary residence

- Require down payments of 3-5%
- Anything under 20% will add PMI to monthly PMI.
- PMI can be removed after you gain 20% equity on the home.

2 unit primary residence

- 15% minimum down payment requirement

3 or 4 unit primary residence

- 20% minimum down payment requirement

Second home

- 10% minimum down payment requirement

1 unit investment property

- 15% minimum down payment requirement

2-4 unit investment property

- 25% minimum down payment requirement

FHA:

- 3.5% standard minimum down payment requirement
- 5% down payments have cheaper PMI
- 10% down payment:
    - Must have under 580 FICO
    - Will have lower rates
    - After 11 years, the PMI falls off the mortgage payment

USDA/VA:

- 100% financing (no down payment required)
    - Take a higher rate to cover closing costs.

There are specific circumstances where you don't need to save based on percentage if you have already met the minimum down payment requirements

- Chasing a specific monthly mortgage payment
- Bring down the DTI ratio by making a bigger down payment.

The race to winning the perfect down payment all depends on where you can source qualified down payments and making sure you can meet the minimum required amount before homes start appreciating. By knowing your options you might be surprised to find out you already have the minimum requirement saved. Or, you might not need to save as much as you thought and can reach the finish line faster.

Know what program requirements you're saving for and determine how long it will take for you to save and win the race to getting the perfect down payment.

Finding the perfect down payment
Can you buy a house with crypto?
https://youtu.be/--pBt0kkCok

Chapter 5:
Mortgage Payment 101

Being prepared for budgeting a mortgage payment is the best thing you can do before buying a home. Mortgage payment determines other factors of qualification like down payment and DTI ratio. When you understand mortgage payment then you can decide what factors of qualification need work OR can help you bring down monthly mortgage payment.

Understanding your mortgage payment will help you reach your goals in becoming a successful homeowner. Chapter 5 uncovers **what's included** in your mortgage payment and **how to calculate** your mortgage payment so you can be a confident homeowner.'

Chapter 5: Part 1
What you are really paying for

Most mortgage payment calculators are missing items that you will end up paying for. The following are the four main items included in your mortgage payment:

- **Principal and interest**
- **Homeowners/hazard insurance**
- **Private mortgage insurance (PMI)**
- **Property taxes**

PRINCIPAL & INTEREST

When you take out a mortgage loan, you're essentially paying back the principal amount and the added interest. Banks formulate the amount of time it will take to pay back the loan through amortization.
Standard fixed amortization:

- 30 years
- 25 years
- 20 years
- 15 years
- Any year!

The shorter the term, the higher the monthly payment BUT less interest you will have to pay for.

Hazard Insurance

Hazard insurance is mandatory when financing a home. It covers any damages on the home that occur from a natural disaster. This insurance is to protect the lender.

Homeowners Insurance

Homeowner's insurance protects you from natural disasters and various other types of damages on the home. Such as:

- Theft
- Medical coverage if someone is injured in your home
- Legal coverage for injury at the home if someone sues you

This insurance is typically paid once a year.

Private Mortgage Insurance (PMI)

If you put less than 20% down on a conventional or FHA loan, you will have to pay for private mortgage insurance. This insurance protects the lender if you stop making payments, causing the lender to foreclose. Depending on the loan program, there are different types of PMI.

- FHA:
  - Upfront
  - Monthly
- Conventional:
  - Monthly (most common)
  - Single premium
  - Split- upfront and monthly
  - Lender paid-rolls onto interest rate

Property Taxes

Think of property taxes as the cost of owning land in a specific state. This factor of your monthly payment can't be removed and will never go away. Every city has a different tax rate that's assessed by the county based on the purchase price. You can call the county assessor's to get tax rates for each city that you want to buy in. Every state differs on how they reassess properties.

For example:
In California, Prop 13 caps reassessment at 2% each year. BUT, if you change the amount of owners on the title, the county will reassess the home based on the NEW market value which will drive up the property taxes.

Also:
If you make improvements to the home that require permits, the county will reassess the value of the home which will increase property taxes.

Homeowners Association (HOA)

If you purchase a home in an HOA community, you will pay the HOA fee indefinitely. Keep in mind, HOA is included in your mortgage budget, not your monthly payment. It's a separate bill. Make sure to tell your lender to include HOA or else your DTI ratio will skyrocket.

Chapter 5: Part 2
How to calculate your mortgage payment

In order to start calculating your mortgage payment, you need to gather all the items that factor into calculating your monthly payment. If you need clarification on each item, refer back to part 1 of this chapter to get an itemized breakdown of everything included in your monthly payment.

Part 2 of this chapter gives you step by step instructions on how to properly estimate your mortgage payment from home. Stay two steps ahead of the mortgage process by running the numbers at home before you talk to a lender.

Step 1: Determine your purchase price. Use a home search website to research home prices in the areas you're looking to buy in.

Step 2: Figure out how much you are sourcing for down payment. Without down payment, you can't estimate the loan amount. Refer back to chapter 4 to get a refresher on down payment options.

Step 3: Determine how much you will need for the base loan amount after you cover down payment. Depending on the loan program, there are additional fees that are included in the loan amount.
For example:

- FHA loans add a 1.75% upfront mortgage insurance (UMI) fee.
- VA loans add a 2.30% funding fee.

How to figure out your loan amount

Purchase Price $500,000

	Conventional 5%	**FHA 3.5%**	**VA 0%**
	$500,000 - 5%	$500,000 - 3.5%	$500,000 - 0%
Base Loan	$475,000	$482,500	$500,000
Additional Fees	n/a	$8,442.75	$11,500
Complete Loan Amount	**$475,000**	**$475,000**	**$475,000**

(see chart above for a breakdown of additional fees for each loan program)

Step 4: Review your budget to properly pace payments to determine the best amortization schedule.

Step 5: Track interest rates on sites like Optimal Blue to get an idea of how much you will be paying in interest based on your loan term.

Optimal Blue is a free, online resource owned by LoanSifter which is where loan officers upload their rates and is updated every two days. It is the best resource to track current average rates without having to speak with a loan officer.

https://www2.optimalblue.com/obmmi/

Step 6: Use our formulas below to calculate your monthly hazard insurance payment.

How to calculate Hazard Insurance

Formula:

$$\frac{\text{Hazard Insurance Policy Premium}}{\text{12 Months}}$$

Or:

$$\frac{\text{Purchase Price} \times .15\% \text{ or } .20\%}{\text{12 Months}}$$

Calculating Hazard Insurance Example

$$\frac{\$500{,}000 \times \mathbf{.15\%} = \$750/\text{year}}{\text{12 Months}} \mathbf{=\$62.50}$$

$$\frac{\$500{,}000 \times \mathbf{.20\%} = \$1000/\text{year}}{\text{12 Months}} \mathbf{=\$83.30}$$

Step 7: Homeowner's insurance depends on the property's location and the size of the home. Decide if you can afford to pay it yearly or include it in your monthly mortgage budget.

Step 8: Use our PMI formulas for each loan program.

How to calculate FHA PMI

Purchase price used for examples: $500,000

Example 1: Down payments less than 5%
Base loan amount x **.85%** / 12 months
Example 3.5% down: $482,500 x **.85%** = $4,101.25/12 months= **$341.77**

Example 1: Down payments less than 5%
Base loan amount $475,000 x **.80%** / 12 months
Example 5% down: $475,000 x **.80%** = $3,800/12 months = **$316.67**

CONVENTIONAL:

BPMI

Borrower-Paid **Monthly** Premiums

MGIC

Effective date: July 9, 2018

Purchase & rate/term refinance (See Adjustments below for other eligible loan types)

Amortization term > **20 years** | Non-refundable

Fixed (FIXED PAYMENTS FOR ≥ 5 YEARS)*

LTV	Coverage	760+	740-759	720-739	700-719	680-699	660-679	640-659	620-639
97% -95.01%	35%	.58%	.70%	.87%	.99%	1.21%	1.54%	1.65%	1.86%
	25	.46	.58	.70	.79	.98	1.23	1.31	1.50
	18	.39	.51	.61	.68	.85	1.05	1.17	1.27
95% -90.01%	30	.38	.53	.66	.78	.96	1.28	1.33	1.42
	25	.34	.48	.59	.68	.87	1.11	1.19	1.25
	16	.30	.40	.48	.58	.72	.95	1.04	1.13
90% -85.01%	25	.28	.38	.46	.55	.65	.90	.91	.94
	12	.22	.27	.32	.39	.46	.62	.65	.73
85% & Below	12	.19	.20	.23	.25	.28	.38	.40	.44
	6	.17	.19	.22	.24	.27	.37	.39	.42

Adjustments		760+	740-759	720-739	700-719	680-699	660-679	640-659	620-639
Second Homes		+.12	+.13	+.14	+.17	+.20	+.35	+.40	+.45
Employee Relocation Loans		–.02	–.04	–.04	–.07	–.07	–.10	–.12	–.12
Manufactured Homes		+.18	+.20	+.20	+.25	+.30	+.50	+.55	+.60
3- to 4-Unit Properties		+.34	+.38	+.38	+.47	+.50	+.57	+.65	+.75
Lender-Paid Monthly Premium		+.04	+.06	+.08	+.11	+.13	+.19	+.21	+.23
Declining Renewals (Borrower-Paid Only)		+.02	+.03	+.03	+.04	+.04	+.05	+.07	+.07
Annual Premium (Refundable)		–.02	–.03	–.03	–.04	–.04	–.05	–.07	–.07
Refundable Monthly Premium		+.01	+.01	+.01	+.02	+.02	+.03	+.03	+.03
> 45% DTI	95.01%-97% LTV	+.10	+.14	+.17	+.21	+.26	+.35	+.37	+.38
	90.01%-95% LTV	+.09	+.11	+.14	+.18	+.23	+.27	+.29	+.31
	85.01%-90% LTV	+.07	+.10	+.12	+.15	+.19	+.21	+.23	+.24
	85% LTV & Below	+.03	+.04	+.05	+.05	+.07	+.09	+.09	+.09
≥ 2 Borrowers	95.01%-97% LTV	–.13	–.13	–.13	–.13	–.14	–.15	–.16	–.18
	90.01%-95% LTV	–.09	–.09	–.09	–.10	–.11	–.12	–.14	–.16
	85.01%-90% LTV	–.07	–.07	–.07	–.07	–.08	–.09	–.09	–.10
	85% LTV & Below	–.03	–.03	–.03	–.03	–.03	–.03	–.03	–.04

Rates and adjustments are subject to state regulatory approval and are subject to change. Additional rates may also be available. For questions regarding state approvals and additional rates, please contact your MGIC representative.

When calculating your Conventional PMI payment, refer to the MGIC rate sheet as shown below:

How to use the MGIC Rate Cards

BPMI

Borrower-Paid **Monthly** Premiums

MGIC

Effective date: July 9, 2018

Purchase & rate/term refinance (See Adjustments below for other eligible loan types)

Amortization term > **20 years** | Non-refundable

Fixed (FIXED PAYMENTS FOR ≥ 5 YEARS)*

Step 1: Match your FICO Score with your LTV (down payment)

Ex) 720 FICO w/95% LTV (5% down) = .66%

This is your base PMI rate.

Step 2: Find your FICO score, and add or subtract your adjustments depending on your personal situation. The most common adjusters are ≥ 45% DTI and ≥ 2 Borrowers. For those two, like in step 1, you need to find your LTV and match it with your FICO Score.

Ex) 720 FICO, 47% DTI, 2 Borrowers
= +.14 - .09 = 0.05

Since this number is positive, we would add this to your base PMI rate that we found above.

.66% + .05% = .71% is the total PMI rate. Once you find your PMI Rate, you can plug this number back into the TechyLender calculator

Rates and adjustments are subject to state regulatory approval and are subject to change. Additional rates may also be available. For questions regarding state approvals and additional rates, please contact your MGIC representative.

HomeReady*/Home Possible*

* Permanent payment terms of the mortgage note determine loan program category.

Rates cannot be reduced below .14% regardless of premium adjustments.

See back page for applicable Notes.

Rates may not be available for all LTVs and credit scores. Refer to our Underwriting Guide, mgic.com/uwguide, for loan eligibility.

Get quick rate quotes through MiQ, mgic.com/MiQ, or download our mobile app, mgic.com/mobileapp.

App Store | Google Play

71-61284 5/11/20 Borrower-Paid Monthly

Step 9: Get property tax rates from the county for the cities you want to buy in. Then plug in the numbers using our formula below.

How to calculate Property Taxes

Purchase price x tax rate/ 12 months

Examples:
$500,000 x **1%** = $5,000/12 months = **$416.66**
$500,000 x **2.5%** = $12,500/12 months = **$1,041.66**

Most banks use 1.25%
$500,000 x **1.25%** = $6,250/12 months = **$520.8**

Step 10: Ask the community you're looking to buy in what the HOA monthly premium is and include it in your mortgage budget. It's a separate bill outside of your mortgage payment.

Remember the Seesaw game for down payment? That game applies to your mortgage payment too! You can strategize what budget options will afford you more home OR lower your DTI ratio overall:

1. Lower your purchase price
2. Bring in a bigger down payment
3. Pay off debt
4. Add a co signer

Just one, or all of these options could be the key to matching your mortgage payment with your estimated monthly budget.

Mortgage payments everything you need to know about it!
https://youtu.be/bOEj1-fT5XQ

Chapter 6:
Shopping for closing costs

Closing costs are the fees listed on your loan estimate in the fee worksheet section. These are fees you can shop your mortgage with different lenders and choose the best one. Part 1 of this chapter breaks down **the five types** of closing costs and where they are on your loan estimate. Part 2 will teach you how to **shop the fees** on your mortgage loan to get the best deal.

Chapter 6: Part 1
The five types of closing costs

1. **Lender**
2. **Miscellaneous**
3. **Title**
4. **Escrow**
5. **Pre-paid**

1. Lender Fees

Every lender varies in what they charge based on the services they provide. There are 8 standard lender fees that are charged across the board.

Origination fee

- Down payment assistance
- Non QM or hard money loan type

Discount point

- Fee for meeting your targeted rate/payment.
- Ask your lender to include the par rate to see how much they charged for meeting your requested rate.

Underwriting

- Standard fee for writing your loan.

Processing

- Charged from a bank or direct lender.
- This fee is included in the miscellaneous category if you're going through a mortgage broker.

Loan commitment

- Charged from big banks or credit unions.

Rate lock

- Fee charged for locking your rate while in escrow.

Application

- Rare charge from big banks or direct lenders typically for low rates.

Float down

- Fee for locking your loan on a new construction or build.

If rates improve you can change once.

2. Miscellaneous

Miscellaneous fees vary depending on how companies collect data to verify your information. These fees aren't charged from the lender. These are charged from neutral third party companies to validate your information. Optional fees marked with * .

- **Appraisal**
- **Home warranty***
- **Flood certificate**
- **Notary**
- **Wire**
- **Recording**
- **Home inspection***
- **Credit report**
- **Termite inspection***
- **Endorsement**
- **Sub-escrow**
- **HOA questionnaire**
- **Upfront mortgage insurance (FHA)**
- **VA funding fee**

3. Title Fees

When you buy a home, there will be title insurance. This insurance protects the lender AND the buyer against previous owner debts and other claims of ownership prior to buying the home. You can contact a title company to get an estimated cost for the title insurance. There's two policies included in title insurance.

Owner's policy

- Paid for by the seller
- Price is based on the purchase price

Lender’s policy

- Paid for by the buyer
- Price is based on the loan amount

4. Escrow Fees

Escrow fees are paid to the title and escrow company or an attorney for conducting the closing of a real estate transaction. The price varies from $2-$2.50 per every $1,000.

Escrow

- Charge between $200-$500
- Charge $700-$800 in junk fees

Seller price

- Based on the purchase price

Buyer price

- Based on the loan amount

Closing Costs
5. Pre-paid Fees

Pre-paid fees are costs that you are responsible to cover. Don’t get hustled by a lender that tells you they will cover your closing costs. You will still be responsible for all pre-paid fees. You can calculate these fees on your own following these formulas.

Hazard insurance

- 1 year + 2 months reserve (14 months)
- Purchase price X .15% divided by 12 months. Multiply that by 14 months.

Property tax

- Follow the impound schedule
- Purchase price X 1.25% divided by 12 months. Multiply that by the number of months of impounds collected.

Interest

- Interest rate X loan amount divided by 365 days. Multiply that by days left in the month.

Month of Funding	First Monthly Payments	Tax Impounds Collected
January	March	7 Months Collected (1st Installment Paid, 2nd Installment not paid)
February	April	7 Months Collected (1st Installment Paid, 2nd Installment not paid)
February	April	2 Months Collected (1st & 2nd Installment Paid)
March	May	3 Months Collected (1st & 2nd Installment Paid)
April	June	4 Months Collected (1st & 2nd Installment Paid)
May	July	5 Months Collected (1st & 2nd Installment Paid)
June	August	6 Months Collected (1st & 2nd Installment Paid)
July	September	7 Months Collected (1st & 2nd Installment Paid)
August	October	8 Months Collected (1st & 2nd Installment Paid)
September	November	9 Months Collected (1st & 2nd Installment Paid)
October	December	10 Months Collected (1st & 2nd Installment Paid)
October	December**	4 Months Collected (1st Installment Paid, 2nd Installment not paid)
November	January	5 Months Collected (1st Installment Paid, 2nd Installment not paid)
December	February	6 Months Collected (1st Installment Paid, 2nd Installment not paid)

*Loans closing February 1st and after require the 2nd 1/2 tax installment be paid prior to or at closing.
** Loans closing November 1st and after requires the 1st tax installment be paid prior to or at closing.

California Tax Impound Schedule

	1st Installment	*2nd Installment*
Due Date	November 1st	February 1st
Delinquent Date	December 10, 5:00 PM	April 10, 5:00 PM
Period Covered	July - December	January - June

First installment Due November 1st	**Second installment Due November 1st**
Jul | Aug | Sept | Oct | Nov | Dec	**Jan | Feb | Mar | Apr | May | Jun**
Late payment: Dec 10	**Late payment: Apr 10**

Generally, closing costs vary based on the purchase price.
Under $350,000 = 3% for closing costs
Over $350,000 = 2-2.5% for closing costs.

Loan Estimate Example

A. Origination Charges: **Lender Fees**
B. Services you cannot shop for: **Lender Miscellaneous**
C. Services you can shop for: **Title & Escrow**
E. Taxes and other government fees: **Title Miscellaneous**
F & G. Prepaids, Initial escrow payment at closing: **Impounds**

Compressed/Zoomed (from below)

Loan Costs

A. Origination Charges	**$1,802**
.25 % of Loan Amount (Points)	$405
Application Fee	$300
Underwriting Fee	$1,097
B. Services You Cannot Shop For	**$672**
Appraisal Fee	$405
Credit Report Fee	$30
Flood Determination Fee	$20
Flood Monitoring Fee	$32
Tax Monitoring Fee	$75
Tax Status Research Fee	$110
C. Services You Can Shop For	**$3,198**
Pest Inspection Fee	$135
Survey Fee	$65
Title – Insurance Binder	$700
Title – Lender's Title Policy	$535
Title – Settlement Agent Fee	$502
Title – Title Search	$1,261

Other Costs

E. Taxes and Other Government Fees			**$85**
Recording Fees and Other Taxes			$85
Transfer Taxes			
F. Prepaids			**$867**
Homeowner's Insurance Premium (6 months)			$605
Mortgage Insurance Premium (months)			
Prepaid Interest ($17.44 per day for 15 days @ 3.875%)			$262
Property Taxes (months)			
G. Initial Escrow Payment at Closing			**$413**
Homeowner's Insurance	$100.83	per month for 2 mo.	$202
Mortgage Insurance		per month for mo.	
Property Taxes	$105.30	per month for 2 mo.	$211

Full Loan Estimate (3 Pages)

FICUS BANK
4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
Anytown, ST 12345
SALE PRICE $180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ ___________
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on ***3/4/2013*** *at 5:00 p.m. EDT*

Loan Terms		Can this amount increase after closing?
Loan Amount	$162,000	**NO**
Interest Rate	3.875%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$761.78	**NO**
		Does the loan have these features?
Prepayment Penalty		**YES** • **As high as $3,240** if you pay off the loan during the first 2 years
Balloon Payment		**NO**

Projected Payments

Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow *Amount can increase over time*	+ 206	+ 206
Estimated Total Monthly Payment	$1,050	$968

Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$206 a month	**This estimate includes** ☒ Property Taxes ☒ Homeowner's Insurance ☐ Other: *See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.*	**In escrow?** **YES** **YES**

Costs at Closing

Estimated Closing Costs	$8,054	Includes $5,672 in Loan Costs + $2,382 in Other Costs – $0 in Lender Credits. *See page 2 for details.*
Estimated Cash to Close	$16,054	Includes Closing Costs. *See Calculating Cash to Close on page 2 for details.*

Visit **www.consumerfinance.gov/mortgage-estimate** for general information and tools.

LOAN ESTIMATE PAGE 1 OF 3 • LOAN ID # 123456789

Closing Cost Details

Loan Costs

A. Origination Charges	**$1,802**
.25 % of Loan Amount (Points)	$405
Application Fee	$300
Underwriting Fee	$1,097
B. Services You Cannot Shop For	**$672**
Appraisal Fee	$405
Credit Report Fee	$30
Flood Determination Fee	$20
Flood Monitoring Fee	$32
Tax Monitoring Fee	$75
Tax Status Research Fee	$110
C. Services You Can Shop For	**$3,198**
Pest Inspection Fee	$135
Survey Fee	$65
Title – Insurance Binder	$700
Title – Lender's Title Policy	$535
Title – Settlement Agent Fee	$502
Title – Title Search	$1,261
D. TOTAL LOAN COSTS (A + B + C)	**$5,672**

Other Costs

E. Taxes and Other Government Fees			**$85**
Recording Fees and Other Taxes			$85
Transfer Taxes			
F. Prepaids			**$867**
Homeowner's Insurance Premium (6 months)			$605
Mortgage Insurance Premium (months)			
Prepaid Interest ($17.44 per day for 15 days @ 3.875%)			$262
Property Taxes (months)			
G. Initial Escrow Payment at Closing			**$413**
Homeowner's Insurance	$100.83	per month for 2 mo.	$202
Mortgage Insurance		per month for mo.	
Property Taxes	$105.30	per month for 2 mo.	$211
H. Other			**$1,017**
Title – Owner's Title Policy (optional)			$1,017
I. TOTAL OTHER COSTS (E + F + G + H)			**$2,382**
J. TOTAL CLOSING COSTS			**$8,054**
D + I			$8,054
Lender Credits			

Calculating Cash to Close

Total Closing Costs (J)	$8,054
Closing Costs Financed (Paid from your Loan Amount)	$0
Down Payment/Funds from Borrower	$18,000
Deposit	– $10,000
Funds for Borrower	$0
Seller Credits	$0
Adjustments and Other Credits	$0
Estimated Cash to Close	$16,054

LOAN ESTIMATE PAGE 2 OF 3 • LOAN ID # 123456789

Additional Information About This Loan

LENDER Ficus Bank
NMLS/__ LICENSE ID
LOAN OFFICER Joe Smith
NMLS/__ LICENSE ID 12345
EMAIL joesmith@ficusbank.com
PHONE 123-456-7890

MORTGAGE BROKER
NMLS/__ LICENSE ID
LOAN OFFICER
NMLS/__ LICENSE ID
EMAIL
PHONE

Comparisons	Use these measures to compare this loan with other loans.
In 5 Years	$56,582 Total you will have paid in principal, interest, mortgage insurance, and loan costs. $15,773 Principal you will have paid off.
Annual Percentage Rate (APR)	4.274% Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.
Assumption	If you sell or transfer this property to another person, we ☐ will allow, under certain conditions, this person to assume this loan on the original terms. ☒ will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than *15* days late, we will charge a late fee of *5% of the monthly principal and interest payment.*
Refinance	Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.
Servicing	We intend ☐ to service your loan. If so, you will make your payments to us. ☒ to transfer servicing of your loan.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature Date Co-Applicant Signature Date

LOAN ESTIMATE PAGE 3 OF 3 • LOAN ID #123456789

Review each section of your loan estimate to see how much you're being charged for each type of closing cost. The next part of this chapter will teach you how to shop the fees on your loan.

Chapter 6: Part 2
How to shop for a mortgage

Whether you're purchasing or refinancing, you can shop around to find the best deal on closing costs, fees and rates. Shopping your mortgage is a 5 step process that is worth completing to ensure you get the best deal on your home!

Step 1. Run your credit
In order to start shopping for a mortgage, you need to run your credit with a lender. Credit score apps and services use different scoring models that aren't as accurate as models used by lenders and banks.

Your credit score is valid for 90-120 days after a lender pulls your credit report, allowing you to shop with multiple lenders in that time frame without hurting your score. Do not run your credit with multiple lenders, you only need to pull it once. Other lenders will apply your middle credit score to your application. Refer back to Chapter 2 if you need a refresher on how your credit score is calculated.

Step 2. Creat your profile
After you run your credit with a lender, you can start establishing your buying profile. Use our profile worksheet to fill in the blanks at home. Factors of your profile include:

Loan purpose	Property type	Owner type	Loan program	• Credit score
• Purchase	• Single family residence	• Owner occupied	• FHA	• Purchase price
• Refinance	• Duplex	• Second vacation home	• Conventional	• Appraised value
• Streamline	• Triplex	• Investment	• VA	• Loan amount
• Cash out	• Fourplex		• USDA	
• Rate and term				

Once you have these filled out, you can start shopping for mortgages based on interest rates, principle, PMI etc. from multiple lenders.

Step 3. Call multiple lenders
Start calling different lenders and get quotes on the same day. Use your middle credit score from the lender that pulled your credit and

give that number to the other lenders. Do not run your credit with multiple lenders. Then, they will provide you with accurate rates so you can start shopping for the best deal. After they give you a fee worksheet, rate, closing costs etc. plug those numbers into your profile worksheet to begin the process of elimination.

Step 4. Compare the fees
Now that you have estimates from multiple lenders, start reviewing the fees. Keep an eye on:

- Rate
- Lender fees
- Section A and B
- Lender credits
- Section J

Keep in mind that lenders have no control over the following fees:

- Escrow
- Impounds

Step 5. Go with the best deal
There are a few ways you can navigate getting the best deal AND the best lender. You should have a good relationship with your lender and feel comfortable choosing them to do your mortgage. Here are some options:

- Go with the lender that has the best deal.
- Take the best deal and bring it to the lender you like the most so they can run your credit and match or come close to the best deal.
- Take the best deal and go back to your original lender who already ran your credit so they can match or get close to the best deal.

Make sure to shop during the weekday and call multiple lenders on the same day before 3pm to get accurate rates. This 5 step process works for both purchasing and refinancing when shopping for a mortgage.

What are you really paying for in your closing cost?
https://youtu.be/U5cHyDar-OU

Chapter 7:
Types of mortgage programs

Mortgage loan programs are unique to everyone and their needs, much like a home. Chapter 7 breaks down the six main loan programs and their qualifications so that you can determine which one is best for your family and your wallet. There are 6 main residential loan programs:

1. **USDA**
2. **VA**
3. **FHA**
4. **Jumbo**
5. **Conventional**
6. **Non-Qualified (QM)**

1. USDA
The USDA loan program is backed by the government and requires 0% down. This is a popular program for experienced home buyers. The income limit for this program requires that anyone over the age of 18 living in the home has to include their income. This program also requires a USDA commitment review.

Now, there are some standard guidelines when qualifying for USDA:

- Property MUST be owner occupied.
- 640-800 FICO = automated underwriting
  - DTI 33/45
- 580-640 FICO = manual underwriting
  - DTI 29/41
- Property must be located in an eligible rural era.

Pro: If the home appraised MORE than the purchase price, you can use the difference to cover closing costs.

For example:
Purchase price= $400,000
Appraised value= $410,000
You can use the $10,000 to cover closing costs.

2.VA
The VA loan program is 100% financed with no monthly PMI. This program offers low rates and encourages renovation loans so the home is made accessible for disabled veterans. This program also allows reusable entitlement. If you refinance out of VA, you can use your VA benefits over and over again.

Guidelines when qualifying for a VA loan:

- 90 days during wartime

- 181 days during peacetime
- 6 years for reserve and coast guard
- 580+ FICO
    - Under 580 FICO is harder to qualify.
- Eligible property types
    - Single family home
    - Condo
    - Townhouse
    - Units (4 max)
    - Manufactured homes
- Owner type
    - Owner occupied
    - Refinance into VA investment loan

3. FHA
FHA loans are backed by the government and require monthly PMI- unless you put 10% down. If not, the PMI will typically fall off after the 11th year. This program also offers lower rates because it's backed by the government.

Qualifying standards for the FHA loan program:

- FICO 580+
    - 580-800 FICO = 3.5% down
    - Under 580 FICO = 10% down
- DTI
    - 620+ FICO: 45/55
    - 580-620 FICO: varies
    - 500-580 FICO: 31/43
- Owner type
    - Must be owner occupied
- Property type
    - Single family home
- Townhouse
- Units
- Manufactured homes
- Condos (must be FHA approved OR spot approval from your lender)

Pro: 3.5% down max on units.

4. Jumbo
The Jumbo loan program is typically used for loan amounts above the conforming loan limit. Banks use their own set of rules for risk management.

Qualification factors for Jumbo loan program:

- FICO credit score
    - 660+ FICO

        - 720+ FICO recommended
- DTI
    - 43/43
    - 31/43 depending
- 10% + down
- Property type
    - Single family home
    - Condo
    - Townhouse
    - Units (rare)
- Owner type
    - Owner occupied
    - Second home
    - Investment (higher risk)

5. Conventional
The Conventional loan program is not backed by the government. This program requires PMI unless you put 20% down. However, removing PMI is more flexible for this program.

Qualifying guidelines for Conventional loans:
- FICO
    - 620+ FICO
    - 660+ recommended
- DTI
    - 45/50
- Property type
    - Single family home
    - Townhouse
    - Units
    - Condos (must be warrantable)

Pros:
- PMI falls off over time.
- Self employed buyers only need 1 year of tax returns.

6. Non Qualified-Mortgage (QM)
The Non-Qualified Mortgage is popular among self employed buyers.

There are 3 common programs:
- Debt service coverage ratio
    - Buy a rentatl property
    - No tax return required
- 24 months bank statements
    - For self employed buyers
- Asset depletion

FHA vs Conventional

Without a doubt, the FHA and Conventional loan programs are the biggest competitors in the mortgage industry. Compare both of their requirements using the information below to help you decide which one fits your needs.

FHA

DTI
45/55

Credit
- 580+ FICO
- Looser guidelines on bankruptcy
    - Chapter 7, 11, wait 2 years
    - Chapter 13, wait 1 year
    - Shortsale, wait 3 years
    - Foreclosure, wait 3 years
- Omit debt with less than 10 payments with proof it's less than 5% of gross income.
- Omit debt for co-signers.
- Must have 12 months pay stubs.
- The IRS requires 3 months of proof of payment.

Income
Gross up fixed non taxable income up tp 125%
Self employed buyers need 2 years of tax returns

Down Payment
- Gift must be sourced
- 3.5% down for units
- Gifts can cover down payment, closing costs or debt.

Private Mortgage Insurance (PMI)
- Upfront and monthly PMI
    - 1.75% upfront
    - 0.80-0.85% monthly
- PMI is permanent unless you put 10% down

Cons
- Requires spouse credit in community states
    - Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin.
- 100 mile rule
- Self-sufficiency rule

Conventional

DTI
45/50

Credit
- FICO 620+
- Bankruptcy:
    - Chapter 7, 11, wait 4 years
    - Chapter 13, wait 2 years
    - Short sale, wait 4 years
    - Foreclosure, wait 7 years
- Omit debt with less than 10 payments
- Omit co-signer debt with 12 months pay stubs.
- IRS payment letter OK.

Income
Gross up fixed non taxable income up to 115%
Self employed buyers need 1 year of tax returns as long as you have been self employed for 5 years.

Down Payment
- Gift can be wired directly to escrow
- 15% down for duplex
- 25% down for triplex
- Gift can cover down payment and closing costs.

Private Mortgage Insurance (PMI)
- Flexible PMI
- Cheaper PMI
- Not permanent

Cons
- Rates are typically higher

The 6 Main Loan Programs - What fits your needs?
https://youtu.be/eM41rYPiaLM

Chapter 8: The keys to buying a home

Whether you’re pre approved or recently decided it’s time to buy a home, there’s 3 key things you should know about the process before you get started. Chapter 8 breaks down into 3 parts that provide helpful information in preparing to become a successful homeowner.

1. The Complete Home Buying Process
2. How to Stay Qualified
3. The Five Home Buying Checkpoints

The complete home buying process

Follow this 10 step process to guarantee success in your home buying journey and avoid common mistakes and headaches!

Step 1: Find a lender
Find a lender you trust that is transparent about their mortgage license, rates and fees. Your lender should give you different options and offer under written approvals, NOT just pre-approvals.

Step 2: Find a realtor
Find a realtor who knows how to negotiate in a seller’s market and has knowledge on home improvement costs. If you are buying a new build, you want your own representation.

Step 3: Find a house *& open escrow
Determine your purchase price, negotiate terms and clear your earnest money deposit (EMD) check.

Locking your loan is an option in this step.

Step 4: Intiate approval
The lender will send out disclosures and a loan estimate. The buyer will sign initial disclosures and send out updated conditions to proceed with approval. Appraisal, home inspection and termite inspection will be ordered.

Locking your loan is an option in this step.

Step 5: Clear conditions
Clear title, escrow and appraisal. Clear your asset, credit and income conditions. If there’s an issue with the appraisal, then you can start negotiating.

Locking your loan is an option in this step.

Step 6: Closing documents
The mortgage banks will issue a closing disclosure before loan documents are sent out. Make sure everything matches with the loan estimate. If it does not, there's a 3 day cooling period before loan documents are sent out.

Make sure you lock your loan or they won't issue the closing disclosure.

Step 7: Sign loan documents
Sign your loan and escrow documents. Remember to use a notary approved by the title company.

Step 8: Finalize payments
Be careful of wire fraud, make sure it's wired from an account that has been verified by your lender.

Complete your final walk through in this step.

Step 9: Fund your loan, record and get your keys!

The Complete Home Buying Process
A Guide to Every Step Towards Homeownership!
https://youtu.be/c-ZlAw4x4nQ

How to stay qualified

Your mortgage pre approval status can default in an instant! If you're shopping for a home, you want to stay pre-approved for as long as possible. This section will teach you how to stay qualified following the do's and don'ts of shopping your mortgage so you can enjoy homeownership!

The Do's:

1. Stay consistent in your work
    - If you're self-employed, continue your deposits consistently.
    - If you're a wage earner, continue your regularly scheduled hours.
    - If you receive commission, stay consistent in your earnings.
2. Send your loan officer pay stubs and paperwork swiftly
    - In order to clear conditions quickly, upload all of the required documents ASAP. The sooner you upload your documents, the sooner your loan officer will review and clear them.
3. Save money
    - Don't make any irregular purchases after you get pre approved.
4. Pay your bills on time
    - If you miss a payment, it will bring your credit score down and affect your qualification.
5. Answer phone calls from unknown numbers
    - You want to be aware if one of your debts have gone to collections.
6. Refer your loan officer
    - When someone you know is looking to buy or refinance a home, refer them to your lender and let them know you sent them!

The Don'ts:

1. Don't work less hours or take time off work.
2. Don't run your credit multiple times.
3. Don't increase your credit utilization.
4. Don't transfer money into different accounts.
5. Don't finance any new or expensive items (car, jewelry, electronics).

The Do's and Don'ts After Getting Approved
How keep Your Pants Up While Buying a Home!
https://youtu.be/CNzeCqaxEDw

The five home buying checkpoints

1. Update your credit report.
After your initial credit report is pulled, you have 90 days to do a soft pull with another lender. After 120 days, your credit report will expire.

2. Understand your income.
Know your base income calculated by your lender plus any bonuses or overtime.

3. Keep track of your deposits.
Watch your deposits to make sure everything stays normal. Pay attention to your spending and don’t buy things you can’ afford.

4. Check your pre approval letter.
Get approved for the payment you want and get your max approval amount solidified.

5. Check rates.
Check with your lender for current rates. You might not qualify for the same loan amount if the rates have changed.

what's a mortgage

Follow the What's A Mortgage social accounts to stay connected and get access to my live streams, mortage updates and hot homeowner tips!

You can also contact me at
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