



Unlocking Homeownership

*Presenters: MLO Sasha DiPietro, Attorney: Michael Newhouse
Realtor/Broker: Mary Ann Quinn, Realtor Stephanie Macfarland
Wealth Advisor Gino Molettieri*

Topics Covered and our Panel

Today, we're discussing the exciting path to homeownership.

First, let's break down some loan basics to get you started

Next up, we'll discuss the lending process.

After that we will introduce you to some awesome industry experts who are here to support home buyers like you.

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LTV Loan to Value

The term "loan-to-value" (LTV) is important to understand. LTV is determined by dividing your loan amount by the appraised value of the property.

For example, you're purchasing a property with a total cost of \$500,000. You make a down payment of \$100,000 and take out a loan of \$400,000. In this case, the LTV would be calculated as 80%.

It's important to note that most loans with an LTV exceeding 80% typically require the addition of mortgage insurance (MI).

DTI or Debt to income

Debt-to-Income Ratio (DTI): This is a measure of how much of your income goes towards paying debts. It's composed of two parts:

- Housing Ratio: This includes costs related to your home, such as: Monthly mortgage payment, Real estate taxes, Homeowners' insurance, Mortgage insurance (MI), Condo fees or Homeowners Association (HOA) fees (if applicable)
- Total Debt-to-Income Ratio: This includes all your debts, such as: Credit card payments, Car loans, Student loans, Other monthly debt payments

When you apply for a mortgage, lenders will look at your proposed monthly housing costs (including the items listed above) to calculate your housing ratio. They will also consider your total debt-to-income ratio to assess your ability to manage additional debt.

Types of Income used to Qualify

To calculate income the lender will utilize your most recent paystubs and W2's. If you are self-employed, the income will be calculated using the 2 most recently filed tax returns. To utilize income from a part time job, commission, bonus, overtime, or shift differential, a VOI(verification of income) will be completed. If you started a new job in the past year the lender may ask for the letter of hire or offer letter. They will also ask for your last paystub from your last employer so they can calculate you year to date earnings.

If the property to be purchased is a multifamily the lender can use 75% of the anticipated rent, you will receive.

Closing Cost, Downpayment, & Prepaid Items

Everyone thinks about downpayment funds, but you need to remember you will have closing cost and prepaid items.

Closing cost are usually about 1.5% -2% of your sales price.

Prepaid items are usually 3-5 months of real estate taxes to set up the escrow account, 1 year of homeowners insurance, and prepaid interest.

Downpayment funds can be funds that you have saved, gift funds, downpayment assistance from an approved FTHB partner, or a gift of equity in the case of a family purchase.

Additionally, your lender may need to see several months of reserve funds

Obtaining a Prequalification from your Lender

Prequalification estimates how much house you can afford based on stated information you provided to the lender.

The lender will ask about your income, assets, and liabilities. The lender will also ask about your credit history and explain how this may impact your interest rate

You may want to obtain a copy of your credit report so that there are no surprises

Your lender will discuss your Debt-to-Income (DTI) and Loan-to-Value (LTV) ratios

Based on this information, the lender can discuss what your options would be available to you

An accepted offer! Time to start the Application

Once you have an accepted offer agreement you will want to reach out to your lender to start the application process.

One of the next steps in the process would be the signing of the Purchase & Sales agreement.

Please be sure to review the P&S agreement for the important dates, such as the contingency date and the closing date. The contingency date is the date that the lender needs to provide you with a commitment letter.

Process & Timing

Once the application is received the lender will request documents and other information for your file. You will want to provide those documents in a timely fashion to ensure all time constraints and closing dates are met.

Once all information and documents have been gathered, your loan officer will submit the file for processing, and then to the underwriting team.

The institution will typically issue a credit decision within 30 days, provided all documentation and information has been submitted. If the loan is approved a commitment letter will be issued.

The loan process should typically take about 35-45 days from date of application

Programs and Partners MHP and FHL Bank

Reading Cooperative Bank partners with Mass Housing Partnership and Federal Home Loan Bank of Boston for several First-time home buyer programs.

Through Mass Housing we have the One Mortgage Program and One+

Federal Home Loan Bank of Boston offers the Equity Builder Program and Housing Our Workforce.

All three of these programs have income, asset, and dti restrictions.

Q&A

Any questions?