



Loan Basics:

- **Down payment:** 3% for first time home buyers with credit scores of at least 700 or higher. 5% for all others.
- **Credit Scores:** 680 or higher if need Private Mortgage Insurance (less than 20% down payment) 620 or higher if more than 20% down payment.
- **Income:** Verify with paystubs or tax returns if self employed.
- **Debt to income:** The monthly debt divided by the monthly income can't be more than 40% (the debt includes: the new monthly mortgage payment, insurance and property taxes and any bank loans, credit cards, student loans and department store cards.)
- **Asset verification:** Copies of bank statements/investment statements showing the funds for the down payment, closing costs and prepaids have been in the account for a full bank statement.

Gifting:

- **Relationship:** Borrower's spouse, child, parent, fiancée or domestic partner.
- **Borrower contribution:** Borrower must contribute at least 5% of their own money unless the full 20% is being gifted.
- **Documentation:** Giftee must sign gift letter, copy of check and deposit slip.

Refinancing your Primary Residence:

- Must have 95% loan to value for straight refinance; 85% loan to value for cash out refinance (receiving cash from the refinance or combining a first and second mortgage that was not taken out at the same time).
- Still have the closing costs and prepaid items to pay at closing. You may be able to roll the fees into the new loan.
- Usually if you can reduce your interest rate by 1%, it will benefit you to refinance.
- **Private Mortgage Insurance (PMI):** Insurance paid to the mortgage company in case you default. Must have PMI if you have less than 20% down payment. Your lender will obtain this insurance.
- **Escrow account:** an account in which a portion of your monthly mortgage is deposited to cover annual charges for homeowners insurance, mortgage insurance (if applicable) and property taxes.
- **Origination fee:** a fee charged to borrower by the loan originator for making the mortgage loan.
- **Points:** amount of money paid to reduce the interest rate on a loan. A point is usually equal to 1% of the loan amount.
- **Prepaid items:** lenders often require the prepayment of items such as homeowners insurance and real estate taxes.
- **Closing costs/settlement costs:** the customary costs above and beyond the sales price of the property that must be paid to cover the transfer of ownership at closing.

When Shopping for Rates:

- Call the various lenders on the same day. Rates can change at any time.
- Ask if the rate includes "points." Points can make a big difference.
- Ask about closing costs. Costs can greatly vary between lenders.

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