

QUICK-GUIDE TO LOAN PRODUCTS

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30-YEAR FIXED RATE

- Most popular home loan
- Interest rate does not change throughout the life of the loan
- Lower monthly payment than shorter term loans
- Option to repay the loan faster by adding to monthly payments

Best suited for home buyers who want predictable & lower monthly payments

15-YEAR FIXED RATE

- Often used for refinancing
- Interest rate does not change throughout the life of the loan
- Lower interest rate options than longer term loans
- Higher monthly payment, less interest paid in total

Best suited for home buyers or refinancing and want to build equity quickly, pay off their loan quickly, with lower interest rate & total interest payments

ADJUSTABLE RATE

- Initial rate fixed for a specified period (usually 1,3,5,7,or 10 years), then adjusts periodically
- Initial rates are typically lower than most other loans
- Example: 5/1 ARM has an interest rate that is set for the first five years, then adjusts annually

Best suited for home buyers who plan to move or refinance quickly

FHA

- Insured by the Federal Housing Administration
- Backed by the government
- Allows down payments as low as 3.5%
- Accepts lower credit scores (typically 520+)
- Mortgage Insurance is required

Best suited for home buyers with lower credit scores and lower down payments

VA

- Backed by the Department of Veterans Affairs, available to veterans and service members
- 100% financing (no down payment required)
- Upfront VA funding fee required
- No mortgage insurance

Best suited for home buyers who are military-qualified who want a low interest rate with no down payment

USDA

- Backed by the U.S. Department of Agriculture
- 100% financing (no down payment required)
- Income limits, property value caps, area restrictions apply (must be considered "rural")
- Upfront MIP & monthly mortgage insurance required

Best suited for home buyers whose income qualifies, in rural areas who want no down payment and a lower interest rate

JUMBO

- Mortgages above conforming loan amount limits determined by the government, based on county and adjusted periodically
- Fixed or adjustable rates
- Usually require a 700+ credit score
- Usually require 10% down payment

Best suited for home buyers of expensive homes, or owners of expensive homes who want to refinance

INTEREST-ONLY

- Only requires payments on the interest charge
- The loan balance or principal is not reduced during interest-only payment period
- Require the same ability to repay requirements for a fully amortized payment

Best suited for home buyers whose income varies from month to month, expects a rising income, receives large annual bonuses, or expect to move or

NO-INCOME

- No employment/no income on application
- Primary residence, 2nd home, investment property
- 75% loan-to-value, purchase or refinance
- Non-warrantable condos
- 3 months reserves required, gifts allowed

Best suited for self-employed borrowers, high asset/no income borrowers, and recent business owners

ADDITIONAL LOAN TERMS

QUALIFIED MORTGAGES

CONVENTIONAL CONFORMING MORTGAGE: Meet guidelines set by Fannie Mae & Freddie Mac; meet county loan limits; lower rates & fees

GOVERNMENT BACKED MORTGAGE: Loans that are guaranteed or insured by government sponsored enterprises - VA, FHA, USDA; allow for lower credit scores and lower down payments

NON-QUALIFIED MORTGAGES

Limited documentation, higher DTI ratio, typically higher interest rates, and higher loan costs; best for clients who cannot document income and unique employment (also known as “subprime loans”)

MORTGAGE PROCESS TIMELINE

