



American
Financial
Network

Your Guide To Homebuying

Presented by John Sample



Hello, I'm

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Loan Officer



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Brief Introduction of yourself here, or anything about your career you want to share



We Bring People Home.

At American Financial Network, Inc., our core mission is to **create experiences that matter**. Every interaction with us as individuals and a company is crafted with YOU in mind.

Whether you're buying your first home, a new investment property, or building the home of your dreams, Preferred Rate will empower you with **confidence, knowledge** and **solid expertise** from loan application through closing.

Today's Agenda

- Who We Are & What We Do
- Buying vs. Renting
- Anatomy of a Loan Payment
- Types of Loans
- Qualifying for a Loan
- The Loan Process
- What's Next?



A family of four (mother, father, and two children) are gathered around a table, looking at a tablet together. The scene is set in a bright, modern interior with large windows in the background. The text 'Choosing a Lender' is overlaid on the image in a large, bold, blue font. Below the title is a list of seven bullet points in black text, all contained within a white semi-transparent rectangular box.

Choosing a Lender

- Can they provide the program that best meets your financial needs?
- Are they a mortgage banker and broker?
- How long have they been in business, what is their reputation?
- Will they consistently communicate with you, and all parties involved in the transaction?
- Will they work together with your agent on your behalf?
- Will they close your loan in a timely manner?

Choosing a Real Estate Agent

- Do they serve the area you're interested in?
- Do they have experience in the type of property you're interested in?
- Do they work as part of a larger team?
- How long have they been in business, what is their reputation?
- Will they consistently communicate with you, and all parties involved in the transaction?
- Will they work together with your loan officer on your behalf?

We have real estate professionals we can connect you with – just ask!

Advantages of Buying VS Renting

Buying

- There may be tax benefits to owning a home
- Your property investment earns equity becoming more valuable over time
- Control of improvements to your property
- Pride of ownership!

Renting

- There may be no tax benefits
- No equity earned
- Cannot make improvements to the property

AFN is not a tax or financial advisor. Please consult a licensed tax advisor and appropriate government agencies for any effect on taxes or government benefits.

Anatomy of a Mortgage Payment

Portion of Payment

Principal and Interest	P & I	\$2000.00
Taxes	T	\$130.00
Insurance (mortgage, hazard, homeowner's association dues)	I	\$70.00
= TOTAL	PITI	\$2200.00*

A Note About Mortgage Insurance

- Typically required if down payment is less than 20% (some programs require less – ask your loan officer)
- Various insurance programs available including lender paid and borrower paid
- Some loans allow removal of MI upon reaching equity threshold

*For explanation purposes only. Your PITI payment will be different/



Types of Loans

Conventional

- Loan amounts up to \$548,250
- Programs as low as 3% down
- Single Family, Condo's, PUD's

Government Sponsored

- FHA
- VA
- USDA



Types of Loans

Conforming vs. Jumbo

- Loan amount driven, dependent upon county
- Conforming to \$510,400 (may be higher depending on county)
- Jumbo up to \$3,000,000

1st Time Homebuyer

- A wide variety of programs
- Typically available to those who haven't owned property in last 3 years



Types of Loans

Fixed Rate

- Payment never changes
- Rate typically higher than ARM start rate
- More conservative option

Adjustable Rate

- Rate and payment adjust over time
- Rate changes with the index the loan is tied to (Treasury, LIBOR, etc.)
- Can be interest only for part of term



Types of Loans

Government

FHA

- Government insured
- Don't have to be a 1st time buyer
- 3.5% down payment required
- Renovation/Rehab loan option (203k)
- 100% gift funds allowed
- No cash reserves required at close
- Minimum credit score of 580 required



Types of Loans

Government

VA

- Military veteran and spouse only
- 100% financing
- Don't have to be 1st time buyer
- No mortgage insurance



Types of Loans

Government

USDA

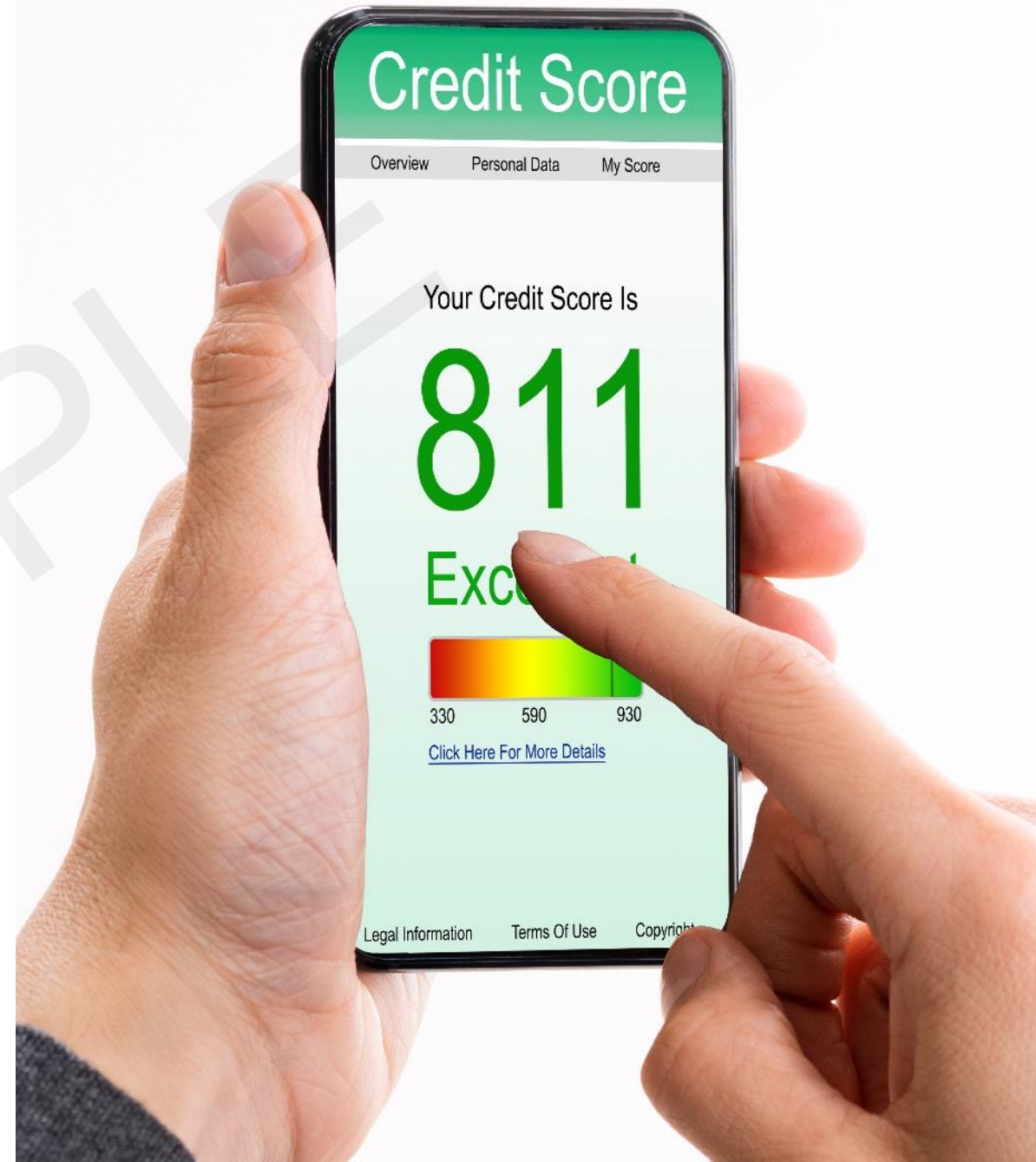
- 100% financing
- Don't have to be a first-time buyer
- Property must be in certain areas
- 100% gift allowed
- Minimum credit score of 600
- Income limits apply

Qualifying for a Loan

- Credit – willingness to repay
- Income/Employment – ability to repay
- Assets – down payment, savings (reserves)
- Property – appraisal

How FICO[®] Scores are Calculated

- 35% Payment History
- 30% Amount Owed
- 15% Length of Credit
- 20% In-Use and New Credit





Qualifying for a Loan Credit

- **Your score is important!**
 - Minimum 580 on most programs – some lower, so ask your loan officer
 - No open judgements or tax liens
- **One open and active credit line in the last 12 months**
- **Specific waiting periods for significant derogatory events**
 - Foreclosure
 - Short Sale
 - Bankruptcy

Qualifying for a Loan (cont.)

When can I buy again?

Event	Conventional	FHA	VA
Foreclosure	7 years	3 years	2 years
Short Sale	4 years	3 years (some exceptions apply)	2 years
Chapter 7 Bankruptcy	4 years after discharge	2 years after discharge	2 years after discharge (some restrictions apply)
Chapter 13 Bankruptcy	2 years	1 year (if BK payments made on time and trustee agrees)	1 year (if BK payments made on time and Trustee agrees)

Qualifying for a Loan (cont.)

How much damage do mistakes make on my score?

Credit Mistake	If your score is 680	If your score is 780
Maxed-out credit card	Down 10-30 points	Down 25-45 points
30-Day late payment	Down 60-80 points	Down 90-110 points
Debt Settlement	Down 45-65 points	Down 105-125 points
Foreclosure	Down 85-105 points	Down 140-160 points
Bankruptcy	Down 130-150 points	Down 220-240 points

Credit Improvement

- Review your report annually
- Pay bills on time
- Keep revolving credit balance-to-limit ratios <30% (10-20% is optimal)
- Keep a good mix of credit (revolving and installment)
- Don't close unused accounts
- Minimize inquiries by applying for credit only when necessary
- If shopping for a loan, focus in a 2–3-week period
- Use credit sparingly and wisely



Qualifying for a Loan

- Credit – willingness to repay
- **Income/Employment – ability to repay**
- Assets – down payment, savings (reserves)
- Property – appraisal



Qualifying for a Loan Income & Employment

Two years employment required

- Same line of work preferable
- Schooling may count as job history
- Commission, overtime, bonus income must have 2-year history of receipt
- Job gaps may be OK on case-by-case basis



Qualifying for a Loan Income & Employment

Self Employment needs two years filed tax returns

- 2 years Schedule C, 1120S or 1065's
- If own >25% of business, need full business returns (applicable to 1120S and 1065 only)
- Need business license or permit for 2 years

Much of your income may be able to be automatically verified without providing documentation! Ask your loan officer for details.

How Debt Ratios are Calculated

Mr. and Mrs. Smith

- **Income:** \$90,000/year
- **Car Payment:** \$500.00
- **Sales Price:** \$350,000
- **Loan Amount:** \$332,500
- **Down Payment:** 5%

P+I	\$1,636	
T	\$292	
I	\$62	
M.I.	\$163	
PITI	\$2,153	(28.7%)*
Car	\$500	
Total	\$2,653	(35.4)**

* front-end ratio (housing only)

** back-end ratio (all expenses)

Qualifying for a Loan

- Credit – willingness to repay
- Income/Employment – ability to repay
- **Assets – down payment, savings (reserves)**
- Property – appraisal



Qualifying for a Loan - Assets

Must be able to verify funds for:

- Down payment
- Closing costs
- Required reserves (depending on program)

Acceptable sources of funds:

- Checking, savings, stocks, mutual funds
- 401k loans
- Gifts

Gifts (when allowed by the program selected)
are acceptable from family members only

- Must be able to show entire paper trail

Qualifying for a Loan

- Credit – willingness to repay
- Income/Employment – ability to repay
- Assets – down payment, savings (reserves)
- **Property – appraisal**



Qualifying for a Loan - Property

- Your appraisal must be equal to or greater than purchase price
- Property must be in good condition unless purchased as renovation
- Certain loans require very specific condition of property



Qualifying for a Loan Property

VA loans

- Mechanical systems usable and safe
- Adequate heating
- Safe water supply and sewer
- Adequate roofing
- Basements and crawl spaces dry, clear of debris and properly vented
- Safe access from the street
- More



Qualifying for a Loan Property

FHA loans

- Health and safety items
- Lot graded away from the house
- Egress to exterior for all bedrooms
- Handrails for all stairways
- Roof in good repair
- More

How the Loan Process Works



What's Next?

- Meet to get a starting point
 - What do you qualify for now?
 - What are your needs?
- Get pre-approved FIRST!
- Start shopping for a neighborhood
 - Shop for homes in that area
- Keep your loan officer in the loop
 - Close your loan
- Enjoy your home!

A pre-approval does not constitute a loan commitment or guarantee of a loan. Pre-approval is subject to a satisfactory appraisal, satisfactory title search, and no meaningful change to borrower's financial condition.



Have questions?
Contact me anytime!

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THANK YOU!



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