



Types of Lending Products

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T. **Government Insured**

Benefit Disadvantage Loan Type FHA Good Interest Rates Mortgage Insurance

PITI 29/41 Low Down Payment & Closing Costs

6% for closing costs and down payment Assumable Mortgage

UHFA (Regular State Money) Same as FHA

Mortgage Insurance PITI 29/41 Lowest Fixed Interest Rate Potential Recapture Income Limits 6% for closing costs and down payment

Can Never be a Rental

1st Time Homeowners

Δ **UHFA/CHAMP** Same as FHA & UHFA Same as Regular UHFA **Income Limits** PITI 29/41 Home Owners Warranty

UHFA Contribution of 4% UHFA credit of 4% toward closing

Buyer Education costs and down payment

Same as FHA & UHFA 2-1 Buydown Cost Approximately 2.5%

Can be used with most ARMs Prepay interest at closing for 2 years Lower Payment 1st Two Years Can Qualify at 2% Below Note Rate

USDA Home Guaranteed 100% Financing Home Inspection Required Farmers Home--(Rural Dev.) No Mortgage Insurance Home must be in Rural Area

PITI 29/41 1% Application Fee

Income Limits 0% down payment + 3% closing costs

FHA Adjustable Rate Same as Regular FHA Same as Regular FHA

Mortgage Interest Rate Caps, 1% per year, 5% over the life of loan PITI 29/41

Margin 2.5 - 2.75 5.5% down payment + 3% closing costs Qualify at Start Rate

FHA 203K Same as Regular FHA 1/2% Higher Rate (unless

UHFA) PITI 29/41 Same as Regular FHA Includes Repairs / Fix Up

in One Loan 3% down payment + 3% closing costs

VETERANS ADMINISTRATION

PITI 0/41 0% down payment + 3% closing costs Same as Regular FHA 100% Financing **Good Interest Rates**

Mortgage Insurance

USDA Direct Loan (502) (Rural Dev.)

PITI 29/41

0% down payment + 1% closing costs

100% financing Subsidy Available No Mortgage Insurance Limited Funds (waiting list) Potential Recapture Fee Only on Rural Homes Has to be graduated when income is high enough

II. **Conventional Programs**

Loan Type Regular Fixed Rate Mortgage

PITI 28/36 or 33/38 or 0/39

5% or 3% down payment + 4.5% closing costs

Benefit Disadvantages 95% Financing Non-assumable Good Interest Rates Debt Ratios 28/36 Less Expensive Mortgage Insurance Closing Costs > FHA

No Mortgage Insurance if Loan to

Value < 80%

Non Conforming Buy Home

Bad Credit is OK Easier to Qualify

Higher Interest Rates Larger Down Payment

Income Limits

Income Limits

Mortgage Insurance

Mortgage Insurance

Δ FreddieMac Affordable Gold 95% Loan

PITI 0/41

5% down payment + $3\frac{1}{2}$ % closing costs

Debt Ratio 0/41 2% Gift Option

Seller can pay 3% of Closing Costs

Buyer Education

Fannie CHBP

PITI 33/38

5% down payment + 3% closing costs

97% Loan 2% Gift Option

Seller can pay Closing Costs

Buyer Education

Adjustable Rate Mortgage

PITI 28/36

10% down payment + 3% closing costs

Many to Choose From Loan Start Rate Usually Low

Interest Rate Caps 2% per year, Mortgage Insurance 6% over the life of loan

Payments can increase 90% Loan

Watch for Negative Amortization

Margins 2.75 - 3.0

Convertible and Assumable

Energy Efficient Mortgage

Larger Mortgage or Lower

Home must qualify as Energy

Efficient

Interest Rate

Easier to Qualify for Loan Lower Utility Costs

More Energy Efficient Home

Additional resources include: the Olene Walker Trust Fund, available through the USDA Rural Development Office; the HUD Bridal Registration for the down payment; reduced mortgage insurance if a buyer completes an educational program; FHA now allows a loan, rather than a gift, from family members for the down payment; mortgage loans are now available on the Indian Reservations; homes in kits that home owners can build themselves; and "Home Start Program"--where the Federal Home Loan Bank of Seattle provides a 1 to 2 match (homeowner saves \$1,000--match \$2,000.)

Glossary

- **Adjustable Rate Mortgage (ARM):** A mortgage whose interest rate changes over time based on an index.
- **Assumable Mortgage:** A mortgage that can be taken over (assumed) by the buyer when a home is sold.
- **Buydown:** A option of paying extra money to buying down the interest rate on a mortgage.
- **Interest Rate Cap:** A provision of an ARM limiting how much the interest rate on a mortgage may increase.
- **Convertible:** An adjustable rate mortgage that can be converted to a fixed rate mortgage under specified conditions.
- PITI Debt Ratios: (Principle, Interest, Taxes, Insurance) Guidelines applied by lenders to determine how large of a mortgage to grant a home buyer. Lenders often use 29/41. This means that 29% of household income can be used for housing costs (principal, interest, taxes, and insurance) and 41% of household income can be used for housing costs plus other debts, such as auto loans, credit cards, student loans, and medical debt.
- **FHA Loan:** A mortgage that is insured by the Federal Housing Administration.
- **Fixed Rate Mortgage (FRM):** A mortgage in which the interest rate does not change during the entire term of the loan.
- **FmHA Guaranteed:** The Farmers Home Administration, a branch of the U.S. Department of Agriculture, offers low-interest mortgages loans to low and moderate income persons who live in rural areas or small towns.
- **Loan-to-value Ratio (LTV):** The relationship between the amount of a mortgage and the total value of the property.
- **Margin:** The set percentage the lender adds to the index rate to determine the interest rate of an ARM.
- **Mortgage Insurance:** Insurance that protects lenders against loss if a borrower defaults on loan. Usually only required if loan is for more than 80% of purchase price.
- **Negative Amortization:** Payment terms under which the borrower's monthly payments do not cover the interest due; as a result, the loan balance increases.
- **Recapture Fee:** Taken by the Government, under law a fixed portion of earnings exceeding a specific percentage of the property value. Taken if all three conditions are met: 1) significant increase in income, 2) increase in home value, and 3) sell home within 9 years.
- **UHFA Loan:** A Utah Housing Finance Agency mortgage, that is also called state money.

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