HOW TO GET A HOME LOAN

1. **Pre-Qualification** – This is the most important step. This is where you provide your financial institution with your financial history up to today. The bank will take the information and using a program can input all the data to find out how much you "may" be able to borrow. If you do not disclose all of your information to your bank this could prolong the process.

2. **Pre-Approval** – Once you have been pre-qualified you will then need to fill out a mortgage application and possibly paying an application fee. Your bank or lender will run a full credit report and check your credit history. An exact amount that you will be able to borrow will be determined at this time.

Types Of Home Loans

A **fixed-rate mortgage (FRM)**, often referred to as a "vanilla wafer" mortgage loan, is a fully amortizing mortgage loan where the interest rate on the note remains the same through the term of the loan, as opposed to loans where the interest rate may adjust or "float". As a result, payment amounts and the duration of the loan are fixed and the person who is responsible for paying back the loan benefits from a consistent, single payment and the ability to plan a budget based on this fixed cost. – Wikipedia.com

An **adjustable-rate mortgage (ARM)** is a mortgage loan with the interest rate on the note periodically adjusted based on an index which reflects the cost to the lender of borrowing on the credit markets. The loan may be offered at the lender's standard variable rate/base rate. There may be a direct and legally defined link to the underlying index, but where the lender offers no specific link to the underlying market or index the rate can be changed at the lender's discretion. – Wikipedia.com

An **interest-only loan** is a loan in which the borrower pays only the interest for some or all of the term, with the principal balance unchanged during the interest-only period. At the end of the interest-only term the borrower must renegotiate another interest-only mortgage, pay the principal, or, if previously agreed, convert the loan to a principal-and-interest payment (amortized) loan at the borrower's option. – Wikipedia.com

A **graduated payment mortgage loan**, often referred to as GPM, is a mortgage with low initial monthly payments which gradually increase over a specified time frame. These plans are mostly geared towards young people who cannot afford large payments now, but can realistically expect to raise their incomes in the future. For instance a medical student who is just about to finish medical school might not have the financial capability to pay for a mortgage loan, but once he graduates, it is more than probable that he will be earning a high income. It is a form of negative amortization loan. – Wikipedia.com

info@smihomes.com **101 Southern Avenue, Strattanville, PA 16258** **800-216-7849**

In finance, **negative amortization** (also known as NegAm, deferred interest or graduated payment mortgage) occurs whenever the loan payment for any period is less than the interest charged over that period so that the outstanding balance of the loan increases. As an amortization method the shorted amount (difference between interest and repayment) is then added to the total amount owed to the lender. Such a practice would have to be agreed upon before shorting the payment so as to avoid default on payment. This method is generally used in an introductory period before loan payments exceed interest and the loan becomes self-amortizing. The term is most often used for mortgage loans; corporate loans with negative amortization are called PIK loans. – Wikipedia.com

A **balloon payment mortgage** is a mortgage which does not fully amortize over the term of the note, thus leaving a balance due at maturity. The final payment is called a balloon payment because of its large size. Balloon payment mortgages are more common in commercial real estate than in residential real estate. A balloon payment mortgage may have a fixed or a floating interest rate. The most common way of describing a balloon loan uses the terminology X due in Y, where X is the number of years over which the loan is amortized, and Y is the year in which the principal balance is due. – Wikipedia.com

A **FHA insured loan** is a US Federal Housing Administration mortgage insurance backed mortgage loan which is provided by an FHA-approved lender. FHA insured loans are a type of federal assistance and have historically allowed lower income Americans to borrow money for the purchase of a home that they would not otherwise be able to afford. To obtain mortgage insurance from the Federal Housing Administration, an upfront mortgage insurance premium (UFMIP) equal to 1.75 percent of the base loan amount at closing is required, and is normally financed into the total loan amount by the lender and paid to FHA on the borrower's behalf. There is also a monthly mortgage insurance premium (MIP) which varies based on the amortization term and loan-to-value ratio.

A **VA loan** is a mortgage loan in the United States guaranteed by the United States Department of Veterans Affairs (VA). The program is for American veterans, military members currently serving in the U.S. military, reservists and select surviving spouses (provided they do not remarry) and can be used to purchase single-family homes, condominiums, multi-unit properties, manufactured homes and new construction. The VA does not originate loans, but sets the rules for who may qualify issues minimum guidelines and requirements under which mortgages may be offered and financially guarantees loans that qualify under the program. – Wikipedia.com

A **USDA Home Loan** from the USDA loan program, also known as the USDA Rural Development Guaranteed Housing Loan Program, is a mortgage loan offered to rural property owners by the United States Department of Agriculture. – Wikipedia.com

A **bridge loan** is a type of short-term loan, typically taken out for a period of 2 weeks to 3 years pending the arrangement of larger or longer-term financing. A bridge loan is interim financing for an individual or business until permanent financing or the next stage of financing is obtained. Money from the new financing is generally used to "take out" (i.e. to pay back) the bridge loan, as well as other capitalization needs. – Wikipedia.com

ASSETS		LIABILITIES	

MAKE SURE TO PROVIDE AS MUCH INFORMATION AS POSSIBLE

- Additional income (if applies)
- Assets List
- Bankruptcy paperwork (if applies)
- Bank Statements
- Credit Report
- Current Employer Information
- Debts List
- Divorcee decree (if applies)
- Gift letter (if using gift funds)
- Past Employer Information
- Past 2 years tax returns
- Pay check stubs
- Personal References
- Profit and loss statements
- Proof of timely rental or mortgage payments (if applies)
- Signed sales agreement
- W2's from current and past employers

ADDITIONAL ITEMS

For more information regarding mortgage loans please talk with your mortgage lender. This information has been provided by Wikipedia.com. SMI is not responsible for any information that may have changed or is no longer an option.

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