



LOAN PROGRAMS

AND

**SELLER CONCESSIONS
GUIDELINE**

How much home can I afford?

Determining how much home you can afford involves considering several factors, including your income, monthly expenses, debt obligations, and savings. Here are some steps to help you figure out your affordability:

Calculate your income: Start by determining your gross monthly income. This includes your salary, wages, bonuses, and any other sources of income you receive regularly.

Assess your monthly expenses: Make a list of all your monthly expenses, including utilities, groceries, transportation costs, insurance premiums, and any other recurring expenses. Subtract these expenses from your gross monthly income to determine your disposable income.

Consider your debt-to-income ratio (DTI): Lenders typically use your DTI ratio to assess your ability to manage monthly payments and determine how much mortgage you can afford. DTI is calculated by dividing your total monthly debt payments (including the future mortgage payment) by your gross monthly income. Generally, lenders prefer a DTI ratio of 43% or lower, but requirements may vary.

Factor in your down payment: Decide how much you can comfortably put down as a down payment. A larger down payment will reduce your loan amount and monthly mortgage payment, making the home more affordable in the long run. A common recommendation is to aim for a 20% down payment to avoid private mortgage insurance (PMI), but there are loan programs available with lower down payment options. Consider additional costs : Remember to account for other home ownership costs, such as property taxes, homeowners insurance, maintenance, and HOA fees (if applicable).

These expenses can vary based on location and the type of property you're considering. Use an online calculator and consult with a mortgage lender: Many online mortgage calculators can help you estimate your affordability based on your income, expenses, and down payment. Additionally, working with a reputable mortgage lender can provide you with personalized guidance and pre-approval, giving you a clearer picture of how much home you can afford.

It's essential to be realistic and conservative when determining your home affordability to ensure you can comfortably manage your mortgage payments and other expenses. Being house-poor, where a significant portion of your income goes toward housing costs, can strain your finances and limit your ability to save and invest for the future.

What type of mortgage is best for me?

The best type of mortgage for you depends on your financial situation, goals, and preferences. Here are some common mortgage options to consider

Fixed-Rate Mortgage (FRM):

With a fixed-rate mortgage, your interest rate remains the same for the entire loan term, typically 15 or 30 years. This provides stability and predictability, as your monthly principal and interest payments won't change over time. It's suitable for buyers who prefer consistency in their monthly housing costs and plan to stay in their home for an extended period.

Adjustable-Rate Mortgage (ARM):

An adjustable-rate mortgage offers an initial fixed interest rate for a specified period (e.g., 5, 7, or 10 years), after which the rate adjusts periodically based on market conditions. ARMs often have lower initial interest rates compared to fixed-rate mortgages, making them attractive for buyers who plan to sell or refinance before the initial fixed period ends. This option may be suitable for buyers who expect their income to increase in the future or plan to relocate within a few years.

FHA Loan:

Insured by the Federal Housing Administration (FHA), FHA loans are popular among first-time buyers and those with limited down payment funds or lower credit scores. FHA loans typically require a down payment of as little as 3.5% and have more flexible qualification criteria than conventional loans.

However, FHA loans also come with mortgage insurance premiums (MIP) that can increase overall borrowing costs.

VA Loan:

Reserved for eligible veterans, active-duty service members, and some surviving spouses, VA loans are guaranteed by the Department of Veterans Affairs. VA loans often require no down payment and have competitive interest rates. They may be an excellent option for qualifying military borrowers who want to maximize their benefits and purchase a home with favorable terms.

USDA Loan:

Backed by the U.S. Department of Agriculture, USDA loans are designed to help low- to moderate-income borrowers in eligible rural areas purchase homes with little or no down payment.

USDA loans offer fixed interest rates and may include closing cost assistance. This option is suitable for buyers looking to purchase homes in designated rural or suburban areas.

Conventional Loan:

Conventional loans are not insured or guaranteed by the government and typically require a higher down payment (often 20% to avoid private mortgage insurance). Borrowers with strong credit scores and stable financial profiles may qualify for competitive interest rates and terms with conventional financing. Conventional loans offer flexibility and may be suitable for buyers who meet the stricter qualification criteria and can afford a larger down payment. To determine the best mortgage option for you, consider factors such as your financial goals, creditworthiness, down payment amount, expected length of homeownership, and current market conditions. Consulting with a reputable mortgage lender can also provide valuable insights and help you select the most suitable mortgage product for your needs.

What is the down payment requirement?

Here's a breakdown of the typical down payment requirements for various loan programs:

Conventional Loan:

- **Down Payment:** Conventional loans typically require a down payment of at least 3% to 20% of the home's purchase price.
- **Private Mortgage Insurance (PMI):** If your down payment is less than 20%, you may be required to pay for private mortgage insurance until you reach a loan-to-value ratio of 80% or less.

FHA Loan:

- **Down Payment :** FHA loans require a minimum down payment of 3.5% of the purchase price.
- **Mortgage Insurance Premium (MIP):** FHA loans have both an upfront and annual mortgage insurance premium, which may be financed into the loan amount.


VA Loan:

- **Down Payment:** VA loans typically do not require a down payment for eligible veterans, active-duty service members, and some surviving spouses.
- **Funding Fee:** While VA loans don't have mortgage insurance, they may require a funding fee, which varies based on factors such as military status, down payment amount, and whether it's your first VA loan.

USDA Loan:


- **Down Payment:** USDA loans offer 100% financing, meaning no down payment is required for eligible borrowers in designated rural or suburban areas.
- **Guarantee Fee:** USDA loans require an up front guarantee fee and an annual fee, both of which can be financed into the loan amount.

It's important to note that down payment requirements and other terms may vary based



on factors such as credit score, debt-to-income ratio, property location, and lender guidelines. Additionally, some loan programs offer down payment assistance programs or grants to help qualifying buyers cover upfront costs.

Before deciding on a loan program, it's advisable to consult with a mortgage lender or loan officer who can provide personalized guidance based on your financial situation and homeownership goals. They can also help you explore available loan options, determine eligibility criteria, and estimate associated costs and monthly payments.



What are the closing costs?

Closing costs in Arizona can vary depending on factors such as the property value, location, lender fees, and other expenses associated with the home purchase. Here's a general overview of common closing costs typically incurred when closing a home in Arizona:

Loan Origination Fees: These are fees charged by the lender for processing the loan application. They're usually around 0.5% to 1% of the loan amount.

Appraisal Fee: Lender often require an appraisal to determine the fair market value of the property. Appraisal fees typically range from \$300 to \$500, depending on the property's size and complexity.

Credit Report Fee: Lenders may charge a fee to pull your credit report during the loan application process. This fee is usually around \$25 to \$50.

Title Search and Title Insurance: Title companies conduct a title search to ensure there are no outstanding liens or ownership disputes on the property. Title insurance protects the lender and buyer against any defects in the title.

Title-related fees can range from a few hundred to a few thousand dollars.

Recording Fees: These fees are charged by the county recorder's office to record the deed and mortgage documents. They typically range from \$50 to \$100.


Escrow Fees: In Arizona, an escrow company or attorney often handles the closing process. Escrow fees cover the services provided by the escrow agent and can vary depending on the purchase price and complexity of the transaction.

Home Inspection Fees: While not technically a closing cost, buyers often pay for a home inspection to identify any issues with the property. Inspection fees can range from \$300 to \$500 or more, depending on the size and condition of the home.

Prepaid Expenses: Buyers may need to prepay property taxes, home owners insurance premiums, and prepaid interest at closing. The amount can vary depending on the time of year and the terms of your loan.


Recording Taxes and Transfer Taxes:

Some counties in Arizona impose taxes on the transfer of real property. The amount varies depending on the county and the purchase price of the home.



Other Fees: Additional fees may include courier fees, wire transfer fees, document preparation fees, and notary fees.

It's essential to review your Loan Estimate and Closing Disclosure documents provided by your lender and closing agent to understand the specific closing costs associated with your home purchase in Arizona. Working with a knowledgeable real estate agent and lender can also help you navigate the closing process and ensure you're prepared for all associated expenses



What should I look for in a home inspection?

During a home inspection, it's crucial to look for various issues that could affect the safety, integrity, and value of the property. Here are some key areas to pay attention to during a home inspection:

Structural Integrity: Inspect the foundation, walls, and roof for signs of cracks, settlement, or water damage. Look for sagging or uneven floors, as they may indicate structural problems.

Roof Condition: Check the roof for missing or damaged shingles, signs of leaks, and the overall condition of flashing, gutters, and downspouts.

Plumbing System: Test faucets, sinks, toilets, and showers for proper functionality and signs of leaks. Inspect exposed pipes for corrosion or damage, and check the water heater for age, condition, and adequate capacity.

Electrical System: Ensure that light switches, outlets, and electrical panels are working correctly. Look for outdated wiring, overloaded circuits, and potential safety hazards.

HVAC System: Test the heating, ventilation, and air conditioning (HVAC) system to ensure proper operation and maintenance. Check for adequate heating and cooling throughout the home and inspect filters, ductwork, and vents.

Insulation and Ventilation: Evaluate the insulation levels in the attic, walls, and crawl spaces. Check for proper ventilation to prevent moisture buildup and mold growth.


Appliances and Fixtures: Inspect kitchen appliances, bathroom fixtures, and built-in features for functionality, age, and condition. Test doors, windows, locks, and hardware for smooth operation.

Exterior Condition: Assess the exterior siding, trim, and paint for signs of damage or deterioration. Check for proper drainage away from the foundation and potential issues with grading and landscaping.

Pests and Mold: Look for signs of pest infestations, such as termite damage, rodent droppings, or insect nests. Inspect for mold growth in areas prone to moisture, such as basements, bathrooms, and attics.

Safety Hazards: Identify potential safety hazards, such as loose handrails, trip hazards, faulty stairs, and missing smoke detectors or carbon monoxide detectors.

It's essential to accompany the home inspector during the inspection process, ask questions, and request clarification on any issues or concerns.



A thorough home inspection report will provide detailed findings and recommendations for repairs or further evaluation by specialists if necessary. Use the inspection results to make informed decisions about the property and negotiate repairs or concessions with the seller before finalizing the purchase.


What programs or incentives are available for first-time buyers?

here are several programs and incentives available to help first-time homebuyers achieve their goal of homeownership. These programs vary by location and eligibility criteria, but here are some common options:

Federal Housing Administration (FHA) Loans: FHA loans are popular among first-time buyers because they require lower down payments (as little as 3.5% of the purchase price) and have more flexible credit requirements compared to conventional loans. FHA loans are insured by the government, which allows lenders to offer more favorable terms to borrowers.

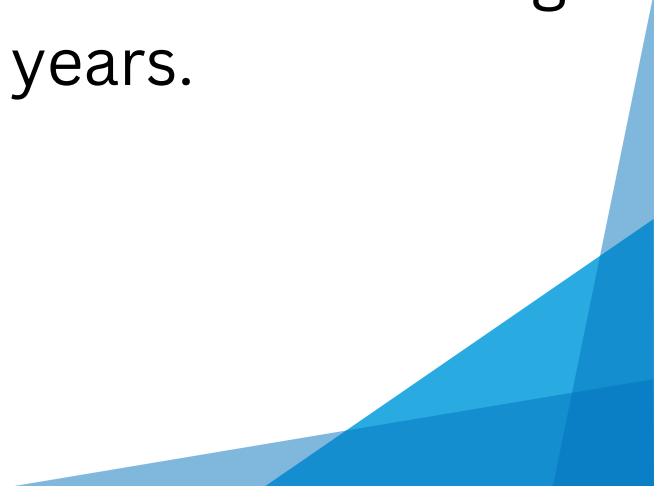
Veterans Affairs (VA) Loans: VA loans are available to eligible veterans, active-duty service members, and some surviving spouses. These loans offer 100% financing with no down payment required and typically have lower interest rates compared to conventional loans. VA loans also do not require private mortgage insurance (PMI).


USDA Loans: The U.S. Department of Agriculture (USDA) offers loans to low- to moderate-income borrowers in eligible rural and suburban areas. USDA loans provide 100% financing with no down payment required and offer competitive interest rates. Borrowers must meet income and property location requirements to qualify.



Good Neighbor Next Door Program: This program, administered by the U.S. Department of Housing and Urban Development (HUD), offers a significant discount (50% off the list price) on homes in revitalization areas for eligible law enforcement officers, teachers, firefighters, and emergency medical technicians (EMTs) who commit to living in the property for at least three years.

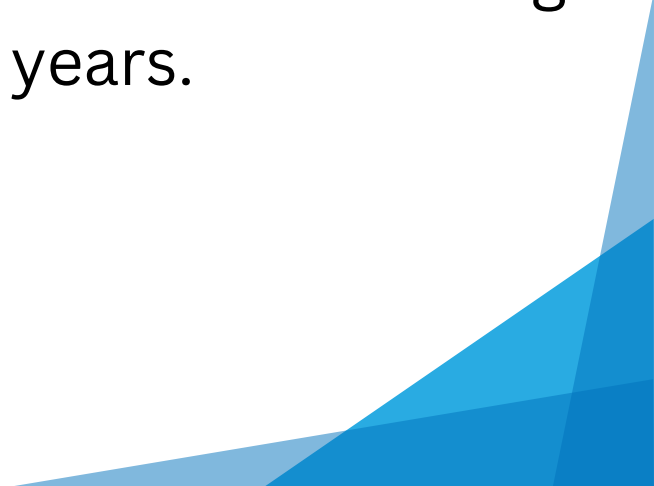
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GFS HOME LOANS

MID-WEEK MARKET UPDATE

MAX SELLER CONCESSIONS

LOAN TYPE	DOWN PAYMENT	MAX SELLER CONCESSION
Conventional	UP TO 10%	3%
	10% - 25%	6%
	MORE THAN 25%	9%
FHA	ANY	6%
VA	ANY	4%
USDA	ANY	6%
Investment Property	ANY	2%

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