



# LOAN BASICS

REAL ESTATE LOAN BASICS

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# LENDING ACRONYMS

**DTI: Debt to Income Ratio**

**LTV: Loan to Value**

**FICO: Credit Score**

**APR: Annual Percentage Rate**

**PITI: Principal, Interest, Taxes, and Insurance**

# DTI: DEBT TO INCOME

- MONTHLY INCOME AS COMPARED TO MONTHLY DEBT
- CANNOT EXCEED 43% ON FRONT END AND 50% ON BACKEND FHA
- CALHFA IS 45% ON BACKEND
- FRONT END: PITI
- BACKEND: TOTAL MONTHLY OBLIGATIONS

## COMPENSATING FACTORS

- **Downpayment: Higher = less credit needed.**
- **Reserves: Higher = stronger the application.**

# TYPES OF LOANS

**Conventional: CAN have owned a home in last 3 years, 5%+ down except special programs.**

**FHA: 3.5%: CANNOT have owned in 3 years, Low Down, housing cost limit based upon county.**

**VA: ZERO% Down, NO MI, Must be a veteran.**

**USDA: ZERO% Down, must be in a designated area.**

# FHA GUIDELINES

- Lower Credit Requirement: As low as Mid-Fico of 580 although compensating factors are required
- Mid-Fico 600 is the limit for most organization
- 3.5% Down – CAN BE GIFTED
- Minimum Reserves
- 2 Year Job History not necessarily the same job
- Two lines of credit – However non-traditional payment history can be accepted with manual underwriting
- Manual Underwriting should be avoided if possible as it takes significantly longer

# STANDARD CHECK LIST FOR DOCUMENTATION

- Copy of the ID
- 2 most recent paystubs of all sources employment for all borrowers
- 2 most recent tax returns
- 2 most recent W-2 or 1099s
- 2 most recent Bank Statements – funds must be seasoned or sourceable
- If Bank is not source of downpayment then 2 most recent statements of the retirement plan, giftors bank, etc.

# FHA APPRAISAL REQUIREMENTS

- FHA appraisers are now required to:
- Ensure all appliances are operational
- Fully access the attic space if able to do so
- Check water heater functionality “Inspection” portion is not referred to as “observation”
- A roof that needs to be replaced within 2 years must be reported
- Analyze and report marketability of homes in Airport zones
- Income appraisal approach must be considered. (High priced homes in low income areas may have a lower market value)
- [CLICK HERE FOR LINK TO THE HANDBOOK](#)



# FHA APPRAISAL CHECKLIST

- Must be a complete marketable property
- Adequate heating system
- Clear of any lead based paints
- No exposed electric wiring
- Full exterior walls that are undamaged
- No hazards in the home
- Quality construction
- Proper drainage
- Quality roof not in need of repair
- Safe and public access to the home
- Safe drinking water
- Crawl spaces must have natural ventilation
- Gas, water, sewage, and electric utilities available
- Water Heater Strapped

# VA APPRAISAL GUIDELINES

- Residential Property
- Living Space: Enough space to live, cook and sleep.
- Water and Sanitation: Clean drinking water, a water heater and working sewage systems. Properties with private wells will need to show evidence of safe water.
- Heating System: Homes must have a heating system capable of warming the interior to at least 50 degrees Fahrenheit. Solar systems and wood-burning stoves count as primary heat systems, but a backup heat source will be necessary.
- Mechanical Infrastructure: Heating, cooling, electric, water and other mechanical systems must be in working order, and stay that way for the foreseeable future. Architectural Infrastructure
- Roofs must be in good condition and offer “reasonable future utility.”. Lenders will often list a minimum amount of time, in years, they’ll want the roof to last.
- Crawl spaces and basements with water or water damage will need repairs. Attics and crawl spaces require proper ventilation to prevent future damage from moisture and mold. The property’s foundation must be stable and leak-free.
- Property Accessibility: VA-loan financed properties must be accessible from the street via an all-weather driveway or permanent easement.
- Pest Inspection: The cost of a pest inspection is almost always paid for by the seller -- that’s not a requirement, but what is required is that the VA buyer cannot pay this fee.

# IMPORTANT LINKS

- [USDA Eligibility](#)
- [CalHFA Info](#)