



REAL ESTATE: WHAT IT TAKES TO BUY

TIPS FOR THE SELF-EMPLOYED

@pacificbayestates





- Fear #1: Loss In Property Value
- Fear #2: Overwhelming Maintenance Costs
- Fear #3: Buyer's Remorse
- Fear #4: Being Unable To Afford the Payment
- Fear #5: Tricky Mortgages and the Home Loan Process

TOP 5 FEARS IN A BUYING A HOME

The market is ever changing, prices go up and down. Homeownership isn't for everybody, some people enjoy the flexibility of renting. What you can afford and what you are comfortable are two different things, are loan guidelines as to what lenders and evaluate affordability. Lastly, the process shouldn't be discouraging or tricky.

QUALIFICATION REQUIREMENTS



- 1. INCOME (CONSISTENT 2 YEAR HISTORY)
- 2. CREDIT WORTHINESS
- 3. DOWNPAYMENT AND CLOSING COSTS
- 4. RESERVES
- 5. THE PURPOSE OF THE HOME

DOCUMENTATION REQUIREMENTS

W-2 EARNERS

- 2 Most Recent Paystubs
- 2 Previous Years Tax Returns
- VOE (Verification of Employment)

SELF-EMPLOYED

- Profit & Loss
- Balance Sheet
- 2 Previous Year Tax Return
- Bank Statements
- Business/Professional License

- MID-FICO: Your Middle FICO is used for qualification purposes
 - - There is a minimum FICO, average as of 08/18 for FHA is 620
- RATIOS:
 - - Maintain 30% of Credit Limit at time of reporting (Statement of Financials)
- LATES:
 - - AFFECT SCORES DRASTICALLY
- BANKRUPTCY:
 - - 3 years from discharge on FHA/4 years from discharge on Conventional

Credit Scores are calculated differently for various usages.

Monitor your credit.

Dispute any inaccuracies directly with the reporting agency.

CREDIT WORTHINESS

IMPORTANT MORTGAGE ACRONYMS

DTI

1. DEBT-TO INCOME
2. LESS THAN 50%
3. DOCUMENTED INCOME \times 50%
4. SUBTRACT MONTHLY DEBT
5. (Student Loans Calculated at 1%)
6. REMAINDER IS MAXIMUM PITI

PITI

1. PRINCIPAL, INTEREST, TAXES, & INSURANCE
2. IF LESS THAN 20% DOWN INCLUDE PMI
3. IF HOA. MUST INCLUDE

Documentation/Tax Return = \$36k a Year

Monthly Income $\$36k/12 = \$3,000$

50% = \$1,500

Car Note = \$285

CC Payment = \$50

Available for PITI = \$1,165

Today's Market = \$175,000 (4.5%)

ACRONYMS CONTINUED

APR

- 1. ANNUAL PERCENTAGE RATES
- 2 AFFECTS PITI


CREDIT 620 = 5.0%
CREDIT 640 = 4.875%
CREDIT 660 = 4.75%
CREDIT 680 = 4.625%
CREDIT 700 = 4.5%

(Interest rates change, for educational purposes only)

LTV

- 1. LOAN TO VALUE
- 2 MORE DOWN, BETTER INTEREST RATE

Previous Scenario
700 FICO buys \$175k
620 FICO buys \$165k

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- 1. Reporting Income: Make sure it balances for the lifestyle you want to qualify for.
 - 2. Monitor your Credit
 - 3. Reserves: Downpayment and Closing Costs
 - 4. Sourced Income : NO MATTRESS MONEY!
 - 5. Millions have done it and if it what's you want, and you plan, you can to!!

RECAP