
Get the Best Financing

When you're preparing to buy a home, getting the best financing can mean the difference between getting the home you can and getting the home you want. Below, you will find some useful discussion about financing that may help you get the best possible mortgage for your next home.

As always, we're here to help – so if you have any questions or need further information on financing options, don't hesitate to contact me. We'll do what we can to point you in the right direction.

The right home loan for you ...

Loan programs come in many forms and come from many sources. Just as in the loan structure, different terms (e.g. a 30 year fixed rate mortgage) can affect your interest rate and monthly payments. The source of funding for your loan can also make a big difference and affect your rate and payments. The source of funding can also affect other factors such as the amount of your down payment and closing costs.

Conforming Loans ...

If you have at least 3% of the loan amount to use as a down payment, you may consider the most common type of loan, a conventional loan. These loans consist of *conforming loans*, which are secured by government sponsored entities (GSE) such as *Fannie Mae* and *Freddie Mac*, and *jumbo loans*, which are funded by private investors for loan amounts higher than the limits set by the GSE's.

Conforming loans are funded by Fannie Mae (FNMA) and Freddie Mac (FHLMC). These companies do not lend money directly to you, but work with lenders across the country to offer mortgage loans to meet your needs. As a secondary market for mortgage loans, they purchase mortgages from lenders and package them into securities that can be sold to investors.

Jumbo Loans ...

If you are looking for a large loan amount to purchase or refinance your home, you could consider a jumbo loan, which has a higher loan amount limit than the limits set by Fannie Mae and Freddie Mac. Because *jumbo loans cannot be funded* by these two agencies, they usually carry a higher interest rate.

Special Circumstances ...

The federal government and other state, local and private organizations have developed special programs to help you purchase a home with a low down payment. For example, if you are a first time homebuyer or have low to moderate income, you may be eligible for a mortgage insured by the Department of Housing and Urban

Development (HUD) through the Federal Housing Administration (FHA). While FHA doesn't make or buy loans, they insure FHA loans so that if you default on the loan, the lender will get reimbursed. You may be able to get an FHA loan with a low down payment of only 3% of the loan amount or less. While there are limits to the size of FHA loans, they are often large enough to finance moderately priced homes almost anywhere in the country.

For Veterans ...

If you are a veteran or qualify by military service, FHA mortgage insurance can also be combined with a guarantee from the Veteran's Administration (VA). VA mortgages are available to help veterans buy their own homes. VA loans offer low or no down payment financing with many of the same advantages as an FHA loan.

Bad Credit ...

If you have bad credit, you may not be able to get a conventional loan. In this case, you could consider a *subprime loan*. Like other loans, subprime loans come in many variations based on the terms, loan amount and the loan-to-value ratio you are looking for. Also, financing companies will look at your credit and give you a credit grade, which will help them determine the best loan for your situation. With less than perfect credit, expect to pay higher interest rates because of the higher risk associated with making a loan to someone with a poor credit history.