



Mortgage Basics

At Skyla, we want your home buying experience to be as pleasant as possible. Take a few minutes to learn more about the basics of home buying and your financing options. If you have any questions, our mortgage specialists are available to help.

GENERAL INFORMATION

- The normal processing time for a mortgage transaction is 30 for 45 days
- Total closing costs are typically estimated to be 2-3% of the total loan amount
- In a purchase transaction, the seller is permitted to contribute up to 3% of the home's price toward the buyer's closing costs. The buyer may also receive gift funds for closing costs

PURCHASES

- The minimum down payment is 5%, except for the First Time Buyer Program, which requires just \$2,500
- Loans with down payments of less than 20% require PMI premiums as part of the total monthly payment
- PMI requirement may be waived at Skyla's discretion on ARM programs only
- Certain non-conforming loans require down payments from 5-20%

REFINANCES

- Maximum LTV is 95% for rate / term and 80% for cash out (ARM products can be used for cash-out up to 85% LTV)
- Closing costs may be added to the loan amount provided the total loan amount meets LTV requirements
- All first mortgage loans require a new appraisal. For homes less than 12 months old, the purchase price is also used to determine the home's value
- Existing first and second mortgages may be combined - along with closing costs - up to 80% LTV



APPRAISAL: A written estimate of a property's current market value based on recent sales information for similar properties, the condition of the property, and how the neighborhood may affect future property value.

ARM: An *Adjustable-Rate Mortgage* is a mortgage that provides for periodic changes in the interest rate and payments based on changing market conditions.

CLOSING COSTS: The sum total of all fees / charges required to originate, process, approve, and close a mortgage loan. Only a relatively small portion of the closing costs are paid to the lender, as most of the other fees are charged by various third parties involved in the process, such as appraisers, attorneys, title companies, etc.

FIRST-TIME BUYER: A borrower who has not owned real estate of any kind within the past three years, counting back from the date of application.

FIRST MORTGAGE: A mortgage that is in first lien position, taking priority over all other liens.

GIFT FUNDS: Any funds that a borrower receives from a donor (usually required to be a family member) that will be used toward the purchase of a residence. Typically, gift funds are used as part of closing costs payment, but exceptions can be made.

LTV: The *Loan-To-Value* ratio is used to determine the portion of the property's price (value) that is being borrowed.

NON-CONFORMING LOANS: A loan that fails to meet bank criteria for funding. Reasons include the loan amount is higher than the conforming loan limit, lack of sufficient credit, unorthodox nature of funds, or the collateral that is backing it.

PMI: *Private Mortgage Insurance* is insurance purchased by a buyer on a conventional loan when a down payment is less than 20% of the purchase price. This protects the lender against default.

POINTS (OR DISCOUNT POINTS): Interest prepaid to the lender at closing. Each point is equal to 1% of the loan amount. Paying more points at closing generally reduces a loan's interest rate and monthly payments.

RATE / TERM REFINANCE: Refinancing an existing mortgage for the purpose of changing the interest and/or term of a mortgage without advancing new money to the loan. This differs from a cash-out refinance where new money is advanced on the loan.

SECOND MORTGAGE: Also known as an Equity Loan. Refers to any real estate loan whose collateral lien occupies a lien position that is in a lower position to that property's first mortgage.

SUB-PRIME: A general term used to describe various types of non-conforming loan programs.

TOTAL MONTHLY PAYMENT: The total monthly expense of principal, interest, taxes, and insurance.