



# *Ultimate* **HOME BUYER'S HANDBOOK**

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# THE 4 KEYS

There are four keys to unlocking a mortgage and securing your new home: Identity, Credit, Income, and DTI. To obtain a deeper understanding of the mortgage process, follow this guide.



**IDENTITY**



**CREDIT**



**INCOME**



**DEBT TO INCOME**



A photograph of a young man and woman smiling and carrying cardboard boxes, suggesting they are moving into a new home. The image is partially obscured by a large teal and white curved graphic element.

# KEY #1 IDENTITY

You may believe that your identity only consists of the card in your wallet or handbag that states your address or height; however, your identity is much more specific as it relates to a home mortgage because your lender needs to know exactly who you are and what you want to do with the property.

## Three categories in your lender's identity profile include:

- Personal Identity
- Occupancy
- Co-Signer



# PERSONAL IDENTITY

Your identity is the first key to unlocking your mortgage —you'll be able to utilize the next key when you determine which of these categories are applicable. To obtain a traditional qualifying mortgage, you must be one of the following:

- US citizen
- Permanent resident
- DACA: Deferred Action for Childhood Arrivals\*

There are loans and ways to purchase homes without a traditional loan, such as Non-Qualified Mortgage. \*\*If you fall under this group, please contact me.

## What type of home buyer are you?

### Who's a first-time home buyer?



A person who has not owned or co-owned a home in the last three years. You may need to be a first-time home buyer to qualify for many down payment assistance programs.

### Who's a non-first time home buyer?



Someone who has owned or co-owned a residence in the past three years.

### Are you a Veteran?



Use VA Form 26-1880 to apply for a VA Loan Certificate of Eligibility (COE). You must bring the COE to your lender to demonstrate your eligibility for a VA Loan.



\*As of January 19, 2021, the Federal Housing Administration (FHA) is allowing anyone classified under the Deferred Action for Childhood Arrivals (DACA) program and those legally permitted to work in the U.S. to apply for an FHA mortgage.

\*\*A Non-Qualified Mortgage (Non-QM) is a loan that doesn't meet the standards of a qualified mortgage and uses non-traditional methods of income verification to help a borrower get approved for a home loan. These types of loans are for borrowers with unique income qualifying circumstances.

# OCCUPANCY

## **Owner Occupied:**

You intend to live in the house and must move in within 60 days of closing your loan, according to the terms of the Deed of Trust. You will also need to certify that you will reside in the home for a minimum of one year.

## **Investment Homes:**

You intend to purchase the property to rent it to a tenant. If there are current occupants in the house or units, lenders will require a lease agreement.

## **Two types of investors: New & Seasoned**

- **Seasoned:** A person who has owned an investment property for more
- **New:** A person who has not owned an investment property for two years

## **Second Homes:**

A home you own that's not your primary residence, but whose primary function is not an investment property. To qualify as a second home, you must live in it for at least part of the year.





# CO-SIGNER

The mortgage application and associated loan documentation are signed by a co-signer, who promises to be responsible for the debt. In other words, if the primary borrower (you) defaults on the payments, the 'co-signer' is equally liable and responsible for the mortgage debt.

The co-signers' income, assets, and credit history will be used alongside the primary borrowers to qualify for the loan. However, they will not have any rights to the property title or ownership. **Co-signers are also not required to live on the purchased property.**

Any additional borrower listed on the mortgage application whose income, assets, and credit history are used to qualify for the loan is referred to as a co-borrower (or co-applicant). Both co-borrowers share equal responsibility for mortgage payments and are usually listed on the title to the home. Typically, a co-borrower is a spouse or partner; however, a co-applicant can also be a friend or family member.

**Co-borrowers can also be a non-occupying co-borrower. This means that they do not have to live in the home that the loan is for.**

## Now let's identify the qualities of a great co-signer:

- Good creditworthiness (Be sure they have the same or better credit than you because your lender will base the decision on the lowest middle score)
- Substantial employment (Someone who has been employed for 2, or more, years)
- Minimal debt (If they have too much debt, it can hinder your eligibility)
- Lives at home, rent-free or mortgage-free (you must include the debt of your co-signer if they have a mortgage or rent payment)

## When using a co-signer/co-borrower, there are some general rules:

- A VA Loan requires your spouse to be the other signer/borrower
- VA and FHA Loans require you to factor in your spouse's liabilities
- If you are a co-signer on one loan and want to take out another mortgage to buy a new home, you need to wait 12 months and show a year of successful payments made by the primary borrower.

**Having a co-signer or co-borrower to buy a house is not a requirement but having one can boost your likelihood**





## KEY #2 CREDIT

There are three categories used to break down your credit. The most crucial factor is your credit score. Also, consider your public records, tradelines, monthly bills, and all liability restrictions.

After the credit breakdown, there will be a sample workbook to assist you in calculating your monthly liabilities.

### CREDIT

CREDIT SCORE

PUBLIC RECORDS

LIABILITY TRADELINES



# CREDIT SCORE



Your credit reports are created by the three major credit bureaus—Equifax, Experian, and TransUnion—and use scoring models like VantageScore and FICO to generate a score that normally ranges from 300-850. The credit bureaus can also use their proprietary models to determine your ratings.

Your credit score is usually determined by how often you make on-time payments and how many accounts you have in good standing. The middle of the three credit scores is used when assessing approval of your home loan.

In addition, the lowest middle score for all loan applicants is chosen. Personal information such as race, gender, religion, marital status, or national origin will never be considered when calculating your score. If you need help with credit repair, we can be of service.

**If you know your scores, make a note of them in these fields for future reference.**

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# PUBLIC RECORDS

Public records contain public data on your credit report as well as the discharge or dismissal dates from your most recent bankruptcy (BK), a short sale (SS), or foreclosure—the public record matrix will show if you’ve ever filed for bankruptcy.

	CHAPTER 7	CHAPTER 11	CHAPTER 13	SHORT SALES	FORECLOSURE	REPOS
VA	2+	2+	OK	2+	2+	2+
FHA	2+	2+	OK	3+	3+	2+
Conventional	4+	4+	2+	4+	7+	2+

*All numbers depicted in years*

## Chapter 7

This section of the Bankruptcy Code addresses “liquidation,” which is the sale of a debtor’s nonexempt property and the distribution of the proceeds to creditors.

## Chapter 11

This section of the Bankruptcy Code generally allows for reorganization, which is usually done through a corporation or partnership. A chapter 11 debtor typically proposes a reorganization plan to keep its business running and pay creditors over time. Individuals or companies can also seek relief under Chapter 11.

## Chapter 13

This section of the Bankruptcy Code addresses adjusting an individual’s debts concerning regular income. Chapter 13 bankruptcy allows debtors to keep their property while repaying their debts over three to five years.

## Short Sales

A short sale is the sale of real estate property for which the lender is prepared to accept less than the outstanding mortgage balance.

## For a sale to be considered a short sale, these two things must be true:

- The homeowner must be so far behind on payments that they are unable to make up the difference.
- The housing market must have tanked to the point where the house is now worth less than the mortgage balance. The lender (and the homeowner) will usually try a short sale process to avoid foreclosure.

## Foreclosures

Foreclosure is the legal process by which a lender attempts to recoup the amount owed on a defaulted loan by seizing and selling the mortgaged property. Typically, default occurs when a borrower fails to make a certain number of monthly payments. However, it can also happen when the borrower fails to meet other mortgage agreement terms.

## Repos

A repo, also known as a repurchase agreement, is short-term borrowing for government securities dealers. In the case of repo, a dealer typically sells government securities overnight to investors and repurchases them the next day at a slightly higher price.



# LIABILITY TRADELINES

Your credit accounts that are reported to credit reporting agencies are known as tradelines. Each tradeline offers extensive account information. Banks look at four different tradelines to figure out how you pay back debt, however, they do not look at the not applicable line items below.

REVOLVING	INSTALLMENT	MORTGAGE	DELINQUENT	N/A
CREDIT CARD	CAR LEASE	TRADITIONAL	DELINQUENT	UTILITIES
DEPARTMENT STORES	CAR PURCHASE	HELOC	COLLECTIONS	CELL PHONE
FURNITURE STORES	JEWELRY		TAX LIENS	CAR INSURANCE
BANK CREDIT	ELECTRONICS/ APPLIANCES		CHILD SUPPORT	HEALTH INSURANCE
OTHER	STUDENT LOANS		JUDGEMENT	MEDICAL COLLECTION

## Revolving

The debt you've accumulated from your many revolving credit lines is referred to as revolving debt. Credit cards and lines of credit are the two most frequent types of revolving debt. Payments on revolving debt are not fixed each month and vary depending on your balance plus interest costs.

## Installment

An installment debt is a loan paid back in regular installments by the borrower. In most cases, an installment loan is returned in equal monthly payments that include interest and a portion of the principal.

## Mortgage

A mortgage is a debt instrument secured by the collateral of specified real estate property that the borrower must repay over time.

## Delinquent

A debt becomes delinquent when a payment is not made by the due date, the end of the "grace period" specified in a loan or repayment arrangement, or when a debt is paid in installments.

## N/A

These debts are not looked at by banks.

# DEBT WORKSHEET INSTRUCTIONS

To ensure you don't forget anything, we've included a worksheet on the following page. Don't worry about filling every line. Use only the ones that are most applicable to your scenario.

## Step 1. Total Income

Enter your monthly take-home income in the top right corner. This is the amount after taxes have been deducted.

## Step 2. Listing Out Debts

To add up all your monthly debts, fill in as many blank lines as necessary. Try to keep track of your monthly and overall amounts.

## Step 3. Adding Up Total Debts

It's time to add those figures up. Verify your figures are correct by using a calculator.

## Step 4. Omitted Obligations


Banks and lenders aren't concerned about a few obligations. When calculating DTI, these will not be used against you.

### These debts include:

- Installment payments under 10 months remaining (Conv. only)
- Payments cannot be more than 5% of monthly gross income
- Medical collections
- Charge offs

## Step 5. Mortgage Debts

Begin with the amount of rent you've received, then deduct your total mortgage payment, additional expenses, and HOA fees.



DEBT WORKSHEET			
Total Monthly Income			
Monthly Payment	Remaining Balance	Months Remaining	

Debt/Name of Creditor	Monthly Payment	Remaining Balance	Months Remaining

**Total:**

	Property 1 Year: _____	Property 1 Year: _____
<b>Mortgage Debts</b>	Property 1 Year: _____	Property 1 Year: _____
Property Name	Irvine Condo	
Gross Rent Received	\$3,200	
Full Mortgage Payment	-2800	
Other Costs	-79	
HOA	-125	
Total	\$196	

# MONTHLY DEBT WORKSHEET

Revolving, Installment,  
Collections, & Student Loans

Total Monthly Income

Debts/ Name of Creditor	Monthly Payment	Remaining Balance	Months Remaining

Total:

Mortgage Debts	Property 1 Year: _____	Property 1 Year: _____	Property 2 Year: _____	Property 2 Year: _____
Property Name				
Gross Rent Received				
Full Mortgage Payment				
Other Costs				
HOA				
Total				

Total:





## KEY #3 INCOME

Now, we'll need to verify proof of your eligible income. The most crucial advice we can give you is to fall in love with your payment plan first, then with the property. If this is your first home, you will most likely upgrade a few times in the future. Even if this is your permanent home, you may need to refinance in the future for several reasons. Your income determines your ability to repay debt. We've divided this category into four distinct groups for you.

### TYPES OF INCOME

**FIXED  
RENTAL  
SELF-EMPLOYED  
WAGE EARNER**

# FIXED-INCOME

NONTAXABLE GROSSED UP RATE	
Conventional / VA / USDA	125%
FHA	115%

Fixed-income is defined as a specific amount and does not rise or fall. That is, except for inflation, the amount received never changes. You must present (1) state records, (2) court-ordered paperwork, and (3) bank statements confirming deposits of the money into the account as proof of fixed income. Finally, you'll need to demonstrate documentation and two months of bank statements to prove that you will be receiving fixed income for at least the next three years.

- If you collect Permanent Disability income, you'll need to submit your Disability Award Letter for verification.
- If you collect Social Security income, you'll need to submit your Social Security Award Letter for verification.
- If you collect Pension Income, you must submit your Retirement Award Letter for verification.
- Court Ordered Income - Even if you receive less than the amount ordered by the court, you can utilize this to qualify. Under no circumstances can revenue from non-court-ordered agreements be included in your total income. If child support or alimony is not court-ordered, it is not guaranteed and cannot be tallied, no matter how long the other parent has dutifully paid it.
- If you're collecting child support, you'll need documentation that you'll be getting it for at least another three years (this can be found in the court order).
- Foster Care - You can utilize up to 25% of your foster care income. For instance, if you receive \$5,000 a month in foster care, you can use \$1,250 a month to qualify for a mortgage.
- If you are collecting Alimony income, a divorce decree is required to confirm the finalized arrangements of the divorce. It must be received for at least 6 months for conventional financing and 3 months for FHA Loans.
- In some cases, if the fixed income is nontaxable, you can gross it up. The factor used to gross up the income will vary with the loan program.



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# RENTAL INCOME

Rental income is any payment you accept for the use or tenancy of a property. When it comes to this form of income, it's important to understand that it's not about how much money you make in rent, it is about how much money you have left after all the deductions and expenses, such as mortgage payments, taxes, insurance, and property upkeep. It's essentially your profit once all bills have been paid.

Here's a quick formula to help you determine your rental income profit:

$$\begin{array}{ccccccccc} & - & & - & & & = & & \\ \hline & & & & & & & & \\ \hline \text{Rents Received} & & \text{Costs} & & \text{Mortgage Payment} & & \text{HOA} & & \text{Total} \\ \text{(Gross)} & & \text{(Net)} & & \text{with Tax \& Insurance} & & \text{(If Applicable)} & & \end{array}$$

Rental income can be used to offset the mortgage payments on that property, but you must become a landlord. There are two types of landlords: new landlord & experienced landlord.

- Experienced landlords have a track record of receiving rental income for at least two years
- New landlords only have 0-2 years of rental income

If you're vacating a property, turning it into a rental, and then purchasing a new property, you can use up to 75% of the future/expected rental income when calculating your DTI for the new property.



A woman with blonde hair, wearing a white t-shirt and yellow overalls, is working in a workshop. She is leaning over a table, handling a large roll of fabric or paper. The workshop is filled with various materials, tools, and plants. The background is slightly blurred, focusing on the woman and her work.

# SELF-EMPLOYED INCOME

Part of the American Dream is to become a self-made success, often with the connotation that “self-made” means being self-employed and being successful means owning a home. Qualifying for a home with a self-employed income, on the other hand, can be difficult. This section will go over calculating your self-employed income to become eligible for a home loan.

## 4 Main Types of Self-Employed Income:

A teal circle with a white dollar sign icon in the center.


Sole Proprietorship  
(Schedule C)

A teal circle with a white dollar sign icon in the center.

C-Corp  
(1120)

A teal circle with a white dollar sign icon in the center.

S-Corp  
(1120-S)

A teal circle with a white dollar sign icon in the center.

Limited Liability  
Corporation (1120  
or 1120-S or 1065)

# WAGE EARNER W-2 INCOME

A W-2 is the most common type of income. You can determine your base income by taking your hourly rate and multiplying it by the hours you worked.

**Example:** To calculate your annual income, you will want to take your weekly income of \$1,000 and multiple it by 52 (as there are 52 weeks in a year).

Your base annual pay, assuming you work 40 hours a week regularly, is \$52,000.

To calculate your monthly income, take your annual pay of \$52,000 and divide it by 12 (months) and you will get a monthly income of \$4,333.33.

**BONUSES:** A history of receiving bonuses for the last 2 years is required, as bonuses are averaged over a period of 24 months. It is important to note that an underwriter may exclude this income if there is no past history of bonuses and a history of declining bonuses will also affect the average.

**OVERTIME:** A history of overtime for the past 24 months is required. Just like bonuses, overtime is averaged over the past 24 months. An underwriter may also exclude this income if a history of overtime is not provided. Declining overtime may also affect the average.

**COMMISSION:** Commission is averaged over a period of 2 years and requires a history of receiving commission to be included when calculating your total income. Failure to provide history of commission may lead to an underwriter excluding this income from your total income. Declining commission can also affect the average.

	+		+		+		=	
Base Salary		Overtime (If Applicable)		Bonus (If Applicable)		Commisison (If Applicable)		Total

**TOTAL INCOME**



# VOE INSTRUCTIONS



Verification of Employment (VOE) is a form used by banks and mortgage lenders in the United States to check the borrower's employment history and compare it to the information on the Uniform Residential Loan Application (Form 1003) to determine job stability. Lenders require a complete VOE that lists all positions held in the previous two years of work.

Request for Verification of Employment																											
<b>Privacy Act Notice:</b> This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not, your application for approval as a prospective mortgagor or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et. seq. (if HUD/FHA); by 42 USC, Section 1452b (if HUD/CPD); and Title 42 USC, 1471 et. seq., or 7 USC, 1921 et. seq. (if USDA/FmHA).																											
<b>Instructions:</b> Lender - Complete items 1 through 7. Have applicant(s) complete item 8. Forward directly to employer named in item 1. Employer - Please complete either Part II or Part III as applicable. Complete Part IV and return DIRECTLY to lender named in item 2. <b>The form is to be transmitted directly to the lender and is not to be transmitted through the applicant(s) or any other party.</b>																											
<b>Part I - Request</b>																											
1. To (Name and address of employer)		2. From (Name and address of lender)																									
I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.																											
3. Signature of Lender	4. Title	5. Date	6. Lender's No. (Optional)																								
I have applied for a mortgage loan and stated that I am now or was formerly employed by you. My signature below authorizes verification of this information.																											
7. Name and Address of Applicant		8. Signature of Applicant See attached borrower's authorization X																									
<b>Part II - Verification of Present Employment</b>																											
9. Applicant's Date of Employment		10. Present Position																									
		11. Probability of Continued Employment																									
12A. Current Gross Pay Base (Enter Amount and Check Period) <input type="checkbox"/> Annual <input type="checkbox"/> Weekly <input type="checkbox"/> Other (specify _____) \$ _____ <input type="checkbox"/> Monthly <input type="checkbox"/> Hourly		13. For Military Personnel Only Pay Grade _____ Type _____ Monthly Amount _____ Base Pay \$ _____ Rations \$ _____ Flight or Hazard \$ _____ Clothing \$ _____ Quarters \$ _____ Pro Pay \$ _____ Overseas or Combat \$ _____ Variable Housing Allowance \$ _____																									
12B. Gross Earnings <table border="1"> <thead> <tr> <th>Type</th> <th>Year To Date</th> <th>Past Year</th> <th>Past Year</th> </tr> </thead> <tbody> <tr> <td>Base Pay</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Overtime</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Commissions</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Bonus</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Type	Year To Date	Past Year	Past Year	Base Pay				Overtime				Commissions				Bonus				Total				14. If overtime or Bonus is Applicable, is its Continuance likely? Overtime <input type="checkbox"/> Yes <input type="checkbox"/> No Bonus <input type="checkbox"/> Yes <input type="checkbox"/> No 15. If paid hourly - avg. hours per week _____ 16. Date of applicant's next pay increase _____ 17. Projected amount of next pay increase _____ 18. Date of applicant's last pay increase _____ 19. Amount of last pay increase _____	
Type	Year To Date	Past Year	Past Year																								
Base Pay																											
Overtime																											
Commissions																											
Bonus																											
Total																											
20. Remarks (If employee was off work for any length of time, please indicate time period and reason)																											
<b>Part III - Verification of Previous Employment</b>																											
21. Date Hired		23. Salary/Wage at Termination Per (Year) (Month) (Week)																									
22. Date Terminated		Base _____ Overtime _____ Commissions _____ Bonus _____																									
24. Reason for Leaving		25. Positions Held																									
<b>Part IV - Authorized Signature</b>																											
Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.																											
26. Signature of Employer		27. Title (Please print or type)																									
		28. Date																									
29. Please print or type name signed in item 26.		30. Phone No.																									



# LAW OF AVERAGING

To determine your income, you must consider the various sources to derive your earnings. Whether your current annual salary is higher or lower than the previous year's, we've supplied two different approaches to compute this below. We'll calculate your DTI ratio percentage later in this workbook using this number. The pages that follow will assist you in determining all the numbers you'll need to fill in the blanks.

2023				
Fixed Income	Rental Income	Self-Employed	Wage-Earner	Total-Income
2024				
Fixed Income	Rental Income	Self-Employed	Wage-Earner	Total-Income

## Income Calculation

If you made **MORE** this year

$$\frac{2021 + 2022 \text{ Total Income}}{24 \text{ Months}}$$

If you made **LESS** this year

$$\frac{2021 \text{ Total Income}}{12 \text{ Months}}$$

**Total Income**

100

-



## KEY #4 DEBT TO INCOME

The final key in your mortgage journey is understanding your debt-to-income ratio. We'll walk you through DTI calculations, how you can source your down payment, and breakdown the overall cost of your monthly payments.

At the end of this section, we'll cover our process and how we select the right loan program for you!



# CALCULATING YOUR DTI

## DTI (Debt to Income Ratio)

There are two types of debt-to-income ratio: front-end and back-end. Your entire housing expense including principal, interest, property taxes, hazard insurance, private mortgage insurance, homeowners' association, Mello Roos, and flood insurance, is referred to as the front-end ratio. Your total housing expense, plus any credit or debt responsibilities, are included in the back-end ratio. See page 11 for a list of liabilities if you want to discover your debt liabilities.

To configure your DTI with the front-end ratio, take your potential monthly mortgage payment divided by your MONTHLY income. For instance, if you make \$6,000 a month and the possible mortgage payment you're looking at is \$3,000, you will divide \$3k by \$6k, giving you 0.5; Multiply by 100 and you get a 50% front-end ratio.

The back-end ratio would be the \$3k potential monthly mortgage plus \$200 of your monthly car payment debt. \$3,200 total, divided by your monthly income of \$6k, gives you 0.53; Multiplied by 100 is a 53% back-end ratio.

A more straightforward way to look at your DTI is to take your monthly income, add your monthly bills and liabilities, add your preferred mortgage payment, then multiply that by an ideal DTI percentage to see where you fall.

$$\frac{\text{Total Income}}{\text{Desired Mortgage Payment}} \times \text{Ideal DTI \%}$$

Keep in mind that if your debt exceeds 50%, you may need to reduce your purchase price or pay off some debt to qualify.

*\*Guidelines are subject to change.*

# DTI CHEAT SHEET



By knowing your DTI, income, and debt, you have the ability to look at your minimum down payment scenarios, but also play with the numbers—bringing in more money for a down payment or lowering debt can provide additional options.

Annual Household Income	Monthly Household Income	40%	43%	45%	50%	55%
\$60,000	\$5,000	\$2,000	\$2,150	\$2,250	\$2,500	\$2,750
\$70,000	\$5,833	\$2,333	\$2,508	\$2,624	\$2,916	\$3,208
\$80,000	\$6,666	\$2,666	\$2,866	\$2,999	\$3,333	\$3,666
\$90,000	\$7,500	\$3,000	\$3,225	\$3,375	\$3,750	\$4,125
\$100,000	\$8,333	\$3,333	\$3,583	\$3,749	\$4,166	\$4,583
\$110,000	\$9,166	\$3,666	\$3,941	\$4,124	\$4,583	\$5,041
\$120,000	\$10,000	\$4,000	\$4,300	\$4,500	\$5,000	\$5,500
\$130,000	\$10,833	\$4,333	\$4,658	\$4,874	\$5,416	\$5,958
\$140,000	\$11,666	\$4,666	\$5,016	\$5,249	\$5,833	\$6,416
\$150,000	\$12,500	\$5,000	\$5,375	\$5,625	\$6,250	\$6,875
\$160,000	\$13,333	\$5,333	\$5,733	\$6,000	\$6,667	\$7,333
\$170,000	\$14,167	\$5,667	\$6,092	\$6,375	\$7,084	\$7,792
\$180,000	\$15,000	\$6,000	\$6,450	\$6,750	\$7,500	\$8,250
\$190,000	\$15,833	\$6,333	\$6,809	\$7,125	\$7,917	\$8,708
\$200,000	\$16,667	\$6,667	\$7,167	\$7,500	\$8,334	\$9,167



# ASSETS

## LIQUID

A liquid asset is cash or an asset that can easily be converted to currency. Checking accounts, money market accounts, and CDs are examples of assets that can be easily converted into cash and are similar to money itself because they can be sold with little impact on its value.

## RETIREMENT

Assets and savings get placed in an account, which, in some cases, cannot be withdrawn until after retirement age or used to qualify for homeownership such as IRA, SEP IRA, Roth IRA, 401k, 403b, (You cannot use 457 since its deferred interest).

## EQUITY

In the context of real estate, the difference between the property's current fair market value and the amount owed on the mortgage is the amount that the owner would receive after selling the property and paying off the mortgage. This is also known as "real property value."

**Example:** If your home is worth \$500,000 and you owe \$300,000 on it, you would have \$200,000 in equity if you sold it to buy a new home.



## DOWN PAYMENT ASSISTANCE - GIFTS

Down payment gifts must originate from immediate family members and can only be used for owner-occupied residences. A gift cannot be used to purchase an investment property. Your lender may request certain paperwork from the Donor when using gift money, such as:

- The donor's relationship to the client
- The dollar amount of the gift
- The date the funds were transferred
- A statement from the donor that no repayment is expected (gift letter)
- The donor's signature
- The address of the property being purchased
- Copy of the donor's bank statement





# **SOURCING YOUR DOWN PAYMENT**

A loan is an arrangement whereby a sum of money is borrowed from a bank or lender and is paid back after a specified time. Grants provide financial assistance, generally awarded by the government, and do not require repayment, nor do they accrue interest.

# MORTGAGE PAYMENT FORMULAS

The 6 key items you need to calculate your mortgage payment:

- Purchase Price
- Interest Rate
- Loan Amount
- Hazard Rate
- Tax Rate
- MI Rate

There are 6 components that make up your mortgage payment:

- Principal
- Interest
- Hazard Insurance
- Property Taxes
- Mortgage Insurance
- HOA

Reference the mortgage payment formulas below, but know you can utilize the mortgage calculator found on [S1L.com](http://S1L.com) at any time to calculate your estimated payments.







# VA FUNDING FEE AND UFMIP

## VA FUNDING FEE

A VA Loan does not require a down payment or monthly mortgage insurance, but all Veterans who use the VA Home Loan Guaranty Benefits must pay a funding fee. The Funding Fee is a percentage of the loan amount that varies depending on the type of loan, your military status, whether you're a first-time or repeat borrower, and if you made a down payment. You have the choice of financing or paying the VA Funding Fee in cash, but the Funding Fee must be paid at the time of closing.

### YOU DO NOT HAVE TO PAY THE FEE IF:

- You're getting VA disability benefits because of an impairment caused by your military service
- You're eligible for disability benefits due to a service-related disability, but you're getting retirement or active-duty pay instead
- You're a military member who has a proposed or memorandum rating stating that you're eligible for compensation that was issued before your loan closed
- You're an active-duty service member who has received the Purple Heart
- You're the surviving spouse of a Veteran who died while on duty or because of a service-related illness or disability

## CURRENT FUNDING FEE CHART

[www.va.gov/housing-assistance/home-loans/funding-fee-and-closing-costs/#va-funding-fee-rate-charts](http://www.va.gov/housing-assistance/home-loans/funding-fee-and-closing-costs/#va-funding-fee-rate-charts).

## FHA UPFRONT MIP

The MIP (Mortgage Insurance Premium) is a fee that must be paid to close an FHA Loan. It is paid as an upfront cost and a yearly fee. You'll have to pay an Upfront Mortgage Premium (UFMIP) of 1.75 percent of your base loan amount if you choose an FHA Loan. The premium can be paid when your FHA Loan closes, or it can be financed into the loan amount, but it must be paid in total upfront, or the entire cost must be financed into the loan amount.



# NEW LOAN AMOUNT



Variables in FHA and VA Loans, such as upfront MI and funding costs, must be considered when calculating your new loan amount. This example illustrates how upfront MI and funding fees affect the new loan amount.

## FHA

Purchase Price		3.5% Down Payment*		1.75% Up front MI		New Loan Amount
\$500,000	–	\$17,500	+	\$8,444	=	\$490,944

## CONVENTIONAL

Purchase Price		3% Down Payment**		0.79% Mortgage Insurance		New Loan Amount
\$500,000	–	\$15,000	+	\$3,832/year (MORTGAGE INSURANCE DOES NOT AFFECT LOAN AMOUNT)	=	\$485,000

## VETERAN LOANS

Purchase Price		Down Payment (If Applicable)***		2.15% Funding Fee (First Use)		New Loan Amount
\$500,000	–	\$0	+	\$10,750	=	\$510,750

\*Rate available as of 10/15/2024. Stated rate may change or may not be available at time of rate lock. If you bought a \$500,000 home with a 30 year loan at a fixed rate of 6.125% (7.217% Annual Percentage Rate), with a down payment of 3.5%, for a loan amount of \$490,944 (including upfront mortgage insurance premium), you would make 360 monthly payments of \$2,985.00. Payment stated does not include mortgage insurance, taxes and homeowners insurance, which will result in a higher payment.

\*\*Rate available as of 10/15/2024. Stated rate may change or may not be available at time of rate lock. If you bought a \$500,000 home with a 30 year loan at a fixed rate of 6.875% (6.973% Annual Percentage Rate), and a FICO score of 700 with a down payment of 3%, for a loan amount of \$485,000 and annual private mortgage insurance of \$3,832, you would make 360 monthly payments of \$3,507. Payment stated does not include mortgage insurance, taxes and homeowners insurance, which will result in a higher payment.

\*\*\*Rate available as of 10/15/2024. Stated rate may change or may not be available at time of rate lock. If you bought a \$500,000 home with a 30 year loan at a fixed rate of 6.125% (6.205% Annual Percentage Rate), with a down payment of 0%, for a loan amount of \$510,750 (includes upfront VA funding fee) you would make 360 monthly payments of \$3,105.00. Payment stated does not include mortgage insurance, taxes and homeowners insurance, which will result in a higher payment.

# HOW WE WORK

**Meet your new best friends...** Your CMG Home Loans' team! Have a conversation with us about your goals to establish expectations, assess credit, and check out financing options.

**1**

## **APPLICATION**

We'll talk about your needs up front and gather as much info as possible to get a head start on your refinance or purchase.

**2**

## **DISCLOSURES**

You will receive, acknowledge, and return a disclosure package, which explains your loan product and costs.

**3**

## **APPRAISAL**

Here, we work with a professional team of local appraisers to have a good look at the value of your investment, your home.

**4**

## **LOAN DOCUMENTS**

We'll need your help collecting documentation such as Pay Stubs, Bank Statements, W-2s, and Employment History so we can have your loan processed quickly and prevent any last minute rushing and stress.

**5**

## **PROCESSING**

Once all the documentation is provided, your loan will be sent to one of our Processors, who will make sure everything is in order before sending it off to the Underwriter.

**6**

## **UNDERWRITING**

Since we hire only the best, you can be sure we will treat your file with love and attentive care throughout this very important part of your transaction.

**7**

## **CONDITIONAL APPROVAL**

Here, we will satisfy any remaining conditions to your final approval as quickly as possible to get you to the closing table.

**8**

## **CLEAR TO CLOSE**

Time for a happy dance. We are now ready to get you to the closing table by preparing your final loan documents. Thanks to our awesome teamwork, you will have a smooth and exciting closing experience.

**9**

## **CELEBRATE!**

When you're happy, we're happy. Congratulations on a successful transaction. Your loan is funded. Here's to our new and lasting partnership!



# 10 IMPORTANT TIPS EVERY HOME BUYER SHOULD KNOW

Feel free to *keep this accessible* as a reminder!

1. **Don't** apply for new credit of any kind.
2. **Do** keep all existing credit card accounts open.
3. **Don't** MAX OUT or overcharge existing credit cards.
4. **Do** maintain your employment at your current job.
5. **Don't** consolidate debt to one or two cards.
6. **Do** pay off collections, judgments, or tax liens reported within one year.
7. **Don't** make any large purchases.
8. **Do** stay current on your existing accounts.
9. **Don't** make any large deposits into any of your accounts.
10. **Do** call us. We are here to help you through your home loan process.

## Need an Agent?

Don't have an agent and need some suggestions?  
No problem! Just let us know!



CMG HOME LOANS



# FINDING THE RIGHT LOAN FOR YOU

WE OFFER BOTH FIXED AND ADJUSTABLE INTEREST RATE LOAN PRODUCTS TO FIT YOUR NEEDS!

At CMG Home Loans, we have mortgage options that can help make homeownership more affordable with the speed and service you deserve. It's our goal to keep you informed and at ease throughout the home financing process, guiding you every step of the way.

We have a wide variety of programs to fit your unique needs and goals, including

- Low down payment options
- Down payment assistance (DPA) programs
- Extended rate lock programs

MINIMUM FICO CREDIT SCORE  MINIMUM DOWN PAYMENT		CONVENTIONAL		FHA										
		<ul style="list-style-type: none"><li>• No minimum score</li><li>• Only one score with DU Approval</li><li>• No score with DU Approval and Co-borrower with a score</li></ul>		<ul style="list-style-type: none"><li>• 580+ with AUS Accept</li><li>• 620+ for manual UW</li></ul>										
		3%*		3.5%**										
VA	1	Requires ZERO down payment	2	Has ZERO Mortgage Insurance (BORROWER MAY STILL BE RESPONSIBLE FOR A VA FUNDING FEE)	3	Typically Offers LOWER RATES than Conventional Loans	4	Offers ZERO closing cost options						
USDA	<ul style="list-style-type: none"><li>• Gift funds permitted</li><li>• No down payment required</li><li>• Up to 6% seller paid closing costs</li><li>• USDA Rural Housing loans are available to qualified low-to-moderate income home buyers purchasing a home in a designated rural area</li></ul>													
JUMBO AND SUPER JUMBO	<ul style="list-style-type: none"><li>• 89.99% up to \$1,000,000 with no Mortgage Insurance</li><li>• Loan sizes up to \$3,000,000</li><li>• Cash out up to \$500,000 on primary residences, second home and investment properties</li><li>• 10, 15, 20, 25 and 30-year fixed rate loans</li></ul>													
NON-QM AND DOWN PAYMENT ASSISTANCE	<ul style="list-style-type: none"><li>• Bank Statement Programs</li><li>• Investment Properties - Debt Service Program</li><li>• Asset Depletion</li><li>• Non-Warrantable Condo</li><li>• 580+ with AUS Accept</li><li>• 620+ for manual UW</li></ul> <p>These products may have higher interest rates, more points, or more fees than other products requiring documentation</p>													
CONDOS: CONSIDER ONE OF THESE LOAN OPTIONS FOR YOUR CONDO PURCHASE ONE	<table><tr><td>NON-WARRANTABLE</td><td>AGENCY</td></tr><tr><td>• Credit scores as low as 680</td><td>• Credit scores as low as 620</td></tr><tr><td>• Primary investment and second home only</td><td>• Conventional Loan</td></tr></table>								NON-WARRANTABLE	AGENCY	• Credit scores as low as 680	• Credit scores as low as 620	• Primary investment and second home only	• Conventional Loan
NON-WARRANTABLE	AGENCY													
• Credit scores as low as 680	• Credit scores as low as 620													
• Primary investment and second home only	• Conventional Loan													
HELOC	Receive funds from your equity of your home in as few as 5 days for things like home improvements, debt consolidation, or major purchase***													

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\*\*Rate available as of 10/15/2024. Stated rate may change or may not be available at time of rate lock. If you bought a \$500,000 home with a 30 year loan at a fixed rate of 6.125% (7.217% Annual Percentage Rate), and a FICO score of 700, with a down payment of 3.5%, for a loan amount of \$490,944 (including upfront mortgage insurance premium), you would make 360 monthly payments of \$2,985.00. Payment stated does not include mortgage insurance, taxes and homeowners insurance, which will result in a higher payment.\*\*\*5-Day HELOC is not available in Kentucky, New York, and West Virginia. Your maximum loan amount may be lower than \$400,000, and will ultimately depend on your home value and equity at the time of application. Five business day funding timeline assumes closing the loan with our remote online notary. Funding timelines may be longer for loans secured by properties located in counties that do not permit recording of e-signatures or that otherwise require an in-person closing.

# MORTGAGE LOAN APPLICATION CHECKLIST

## WHAT WILL ASSIST FOR A SMOOTH PREAPPROVAL PROCESS:

- ☐ Complete your Loan Application
- ☐ Last Two Years W2's
- ☐ Last Two Years Federal Income Tax Return
- ☐ 1 Month Most Current Paystubs
- ☐ 2 Months Most Current Bank Statements
- ☐ Most Recent Quarterly Statement for
- ☐ Retirement Account(s)
- ☐ Social Security and/or Disability Income Award Letter
- ☐ Alimony and/or Child Support Court Documentation
- ☐ For All Properties Owned:
  - ☐ Most Recent Mortgage Statement(s)
  - ☐ Evidence of Insurance Reflecting Annual Premium
  - ☐ County Property Tax Bill
  - ☐ HOA Monthly Payment Coupon
- ☐ Copy of Driver's License
- ☐ Visa/Residency Documentation \*if non us Citizen
- ☐ Social Security Card for Government Loan
- ☐ Signed Borrower's Credit Authorization Form

## ONCE YOU'VE GATHERED THE DOCUMENTATION LISTED ABOVE

- ☐ You may scan and email it to me. My contact information is listed below.

**DAVE MEDINA**

Area Sales Manager NMLS# 395424

📍 28780 Single Oak Dr. Suite 250,  
Temecula, CA 92590

📞 951.858.4761

✉️ dave.medina@alevategroup.com

# REVIEW: YOUR HOME BUYING CHECK POINTS

- ✓ **Keep a current credit report/score.** Credit reports expire every 120 days.
- ✓ **Know your income,** your lender calculated base income, overtime, and bonuses. This is to show your bonus and overtime are the same and that your income does not decline when they are added.
- ✓ **Know your deposits.** Continue to watch over your deposits to make sure everything stays normal. Pay attention to your spending, and don't buy things you can't afford.
- ✓ **Check your preapproval letter.** Get the approval at the payment you want, and get your max approval solidified.
- ✓ **Check rates.** Check with your Loan Officer for current rates.

## YOUR HOME BUYING PROFILE

<b>Property Profile</b>	<input type="checkbox"/> SFR	<input type="checkbox"/> Condo	<input type="checkbox"/> Duplex	<input type="checkbox"/> Tri-4 Plex	<input type="checkbox"/> Manufactured Home	
<b>Goal</b>	<input type="checkbox"/> Purchase	<input type="checkbox"/> Rate & Term Refi	<input type="checkbox"/> Streamline	<input type="checkbox"/> Cash-Out Refi		
<b>Loan Type</b>	<input type="checkbox"/> Conventional	<input type="checkbox"/> FHA	<input type="checkbox"/> VA	<input type="checkbox"/> USDA	<input type="checkbox"/> Jumbo	<input type="checkbox"/> DPA
<b>Occupancy</b>	<input type="checkbox"/> Owner Occupied	<input type="checkbox"/> Second Home	<input type="checkbox"/> Investment			

Date Credit  
Check Last Ran

Down Payment%  
or Loan-to-Value

Loan Amount

Middle Credit  
Score

Purchase Price  
or Appraised Value

County You  
Want to Live In

Interest Rate



CMG HOME LOANS





CMG Mortgage, Inc. dba CMG Home Loans, NMLS ID# 1820 ([www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org), [www.cmghomeloans.com](http://www.cmghomeloans.com)), Equal Housing Opportunity. AZ license #0903132. Licensed by the Department of Financial Protection and Innovation (DFPI) under the California Residential Mortgage Lending Act No. 4150025. To verify our complete list of state licenses, please visit [www.cmghi.com/corporate/licensing](http://www.cmghi.com/corporate/licensing). (JN#1531992929)

