

Mortgage Financing for Fourth Year Students Becoming Residents



“I am ready to purchase a home, now what?”

- 1) Contact your lender for pre-approval.

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- 2) Select an experienced Real Estate Agent.
- 3) Go out and find your Dream Home!
- 4) Get back with your lender to finalize all necessary paperwork.
- 5) RELAX, sit back, and wait for the closing.
- 6) Congratulations!!! You are now a homeowner!

“What will a lender/bank look at to see how much of a house I can afford?”

- 1) **Credit Score:** The use of a numerical score to indicate the “quality” of a borrower’s credit history and the likelihood that debt will be repaid in the future.
(Most loans require a 680 – 700+ credit score)
- 2) **Debt to Income Ratio:** This is the amount of debt compared to your monthly income.
(Most lenders/banks allow a ratio of 40 – 43%)

Example: Annual Income = \$45,000
Gross Monthly Income = \$3,750 (\$45,000 / 12 months)
40% of \$3,750 = \$1,500 per month for all debts

- 3) **Housing Ratio:** As a general guideline, a bank allows 28 - 31% of your gross monthly income for monthly housing expense.



“How much will this cost me?”

- There are three sets of costs when you do a mortgage:

1) **Closing Costs**

- Appraisal, Title work, Recording fees, Underwriting fees

2) **Pre-paid Items**

- One (1) year Homeowners Policy
- Escrow (savings account for your home)
 - Property Taxes
 - Homeowners Insurance
- Interest to end of month

3) **Down Payment**

- Varies

- Points (1 point = 1% of your loan amount)
 - Discount (buys the rate down)
 - Origination Fee (fee to do the loan)

Frequently asked questions:

- What is the best mortgage product for me?
- When can I lock my interest rate?
- Is there a pre-payment penalty?
- What is the minimum down payment?
- Are there points?
- Can I borrow more to do home



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Local Programs Available for Medical Residents

Regions

F.H.A. Loan

- 30 year fixed rate
- Minimum credit score 580
- 3 ½ % down payment (can be a gift)
- Reduced Private Mortgage Insurance
- No prepayment penalty
- Can close up to 60 days before start date

Bank of America/ Countrywide

- Adjustable Rate Mortgages: 3, 5, 7/1 ARMS
- 30 year fixed rate
- Up to 100% financing with 700+ credit score
- 680 – 699 credit score: 90% financing
- 660 – 679 credit score: 80% financing

Note: Countrywide locally will not be able to offer until May 1st.

Huntington Bank

- Adjustable Rate Mortgages: 3, 5, 7/1 ARMS
- Minimum credit score 680
- Up to 100% financing
- 1% origination fee

National Bank of Indianapolis

- Adjustable Rate Mortgages
- No other details available at this time

Documents

Documents most lenders now require –

- Proof that Student Loans will be deferred for twelve (12) months or longer.
- Last two (2) months of bank statements (all pages)
- Letter of Employment / Contract
- If using co-borrower income – last two (2) pay stubs and last two (2) years W-2's.



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