



Your First Home Purchase

Find the Mortgage That Meets Your Needs

Your Loan Type

By understanding the various financing types and their advantages, you'll have the knowledge and confidence to choose the most appropriate home loan for your situation and future goals.

Let's look at the most common types of loans.

Mortgage Type	Monthly Payment	Interest Rate	Rate Changes	Interest Paid	Build Equity
30-Year Fixed	Average	Average	Never Changes	Average	Average
15-Year Fixed	Typically Higher	Typically Lower	Never Changes	Typically Lower	Typically Faster
5/1 ARM	Low for the first 5 years	Typically Lower	Fixed for the first 5 years, varies thereafter	Varies	Average
3/1 ARM	Low for the first 3 years	Typically Lower	Fixed for the first 3 years, varies thereafter	Varies	Average

Your Future Goals

The type of loan you obtain will depend on your goals for the property. If you have a shorter term horizon (intend to sell the home in three years, for example) then the 5/1ARM is advisable. These ARMs come with rates between ½ of a per cent to a full 1 percent lower than 30 year fixed rates loans.

What's the difference between conventional and conforming loans?

Conventional loans conform to Fannie Mae guidelines. They have the lowest rates for two reasons: (1) they are for the most qualified borrowers; and (2) they are subsidized by the Government. Conventional Loans can be broken into two sub-categories: "Standard Conforming" for loan amounts up to \$417,000 and "High Balance Conforming" for loans from \$417,000 to \$729,750. Interest rates for loans below \$417,000 tend to be about 3/8 of a percent lower than high balance rates.

The vast majority of Conforming Loans are 30 year fixed rate mortgages, although there are some very competitive 5/1 ARMs available. A 5/1 ARM is an adjustable Rate mortgage that is fixed for the first five years before rolling over to an adjustable rate.



When 30 year fixed rates are below 6%, near historical lows, it is highly advisable to permanently lock in such low rates. We therefore do not often recommend ARM loans.



Your First Home Purchase Down Payment & Rate Options



Did you know?
You could qualify for a
**Federal Tax Credit of up to
\$8,000. Ask Us for Details.**

What Can I Afford?

The appropriate loan type will depend on a variety of factors, such as purchase price, down payment, expected length of time in the property, and what you can comfortably afford.

JVM loan specialists have access to a comprehensive list of loan programs for over 50 lenders to help you determine the best program for your situation.

See what you can comfortably afford

Learn how you can successfully manage a monthly home loan payment.

Explore your options

Down Payment
\$50,000

Purchase Price
\$250,000

Find out how to select the home loan that's right for you

Your Down Payment

Conforming Loans require a down payment of at least 10% of the purchase price if the loan amount is \$417,000 or less in most areas (at least 5% must consist of seasoned funds or savings). If a loan is in excess of \$417,000, at least 15% of the purchase price will be required for a down payment. FHA financing, however, requires only 3.5% of the purchase price for a down payment. Even better is that the entire down payment can be a “gift” from a relative. You do not need to have “seasoned funds” or savings for an FHA down payment. If you do need a gift, we recommend that you not get it now, as FHA guidelines require specific procedures for use of gift funds.

Note that Conforming Loan financing that involves less than a 20% down payment will require “mortgage insurance”. This insurance is equal to about 0.35% to 0.60% of the loan amount and it is paid on a monthly basis. The mortgage insurance rate is determined primarily by the loan-to-value ratio and your credit score.

FHA financing always requires mortgage insurance, irrespective of down payment size.



Income Documentation

“Documentable” income is essential to qualify for a competitive rate in today’s lending environment. In assessing your qualification, lenders evaluate your “debt ratio.” Your debt ratio is the total of your monthly debt obligations divided by your monthly gross income. Depending on your credit and other factors, allowable debt ratios range from 42%- 65%. With respect to income documentation, our loan specialists will help determine what you qualify for.

There are still some loans that do not require income documentation, but such loans are either “hard money loans” (requiring 25% to 30% down and substantial fees) or “high net worth loans” (requiring seven figures or more in liquid assets).