

LOAN OPTIONS: PROS & CONS

CONVENTIONAL LOAN

This is the most common loan option and meets the needs of most people. Due to lack of government backing, they do require better credit to qualify. The overall cost is typically lower than most comparable government-backed loans.

 Principal and interest payments won't change for the life of loan, you can pay off your mortgage at any time without penalties, you can typically avoid Private Mortgage Insurance (PMI) with a 20% or higher down payment, and primary homes can be purchased with 3% down.

 You'll need a credit score of at least 620 and a debt-to-income ratio no higher than 50% (and lower so you can get better loan terms).

FHA LOAN

If you don't qualify for a conventional loan, take a deeper look at this option. These loans are backed by the government and have a lower down payment requirement, credit score threshold, and income qualification. It might fit what you need!

 Easier to qualify, primary homes can be purchased with 3.5% down, fixed rates are available, and down payment assistance programming is available. You also only need a small amount of cash to close on your home.

 You will pay a Mortgage Insurance Premium (MIP) for a minimum of 11 years or it can be paid for the life of the loan, depending on your situation.

VA LOANS

If you or your spouse has served in the U.S. military you'll want to look at this option because it's a great loan product that's an earned benefit offered to all active duty and retired military personnel.

 This benefit never expires. Financing is available up to 100% of a home's value and there is no maximum loan amount. There's typically lower closing costs with this loan type due to the VA limiting fees and closing costs. If you decide to pay off your mortgage early, you won't have any extra fees associated with this.

 The VA loan program is a benefit that you must earn (i.e. eligible service members who have served in the U.S. military, and spouses of veterans who have died in the line of duty, etc.) You have to buy a primary residence (not an investment property or a second home). There is also a funding fee that is required by the U.S. Department of Veterans Affairs for most VA loans.



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USDA LOANS

This loan is designed for rural home buyers, making it ideal for those who may not be able to get conventional financing. It's managed by the Rural Housing Service and offers flexible credit criteria.



Easier to qualify, primary homes can be purchased with 3.5% down, fixed rates are available, and down payment assistance programming is available. You also only need a small amount of cash to close on your home.



Not all houses are eligible for this loan type and it can only be used for a primary residence. You are required to pay a fee for a USDA guaranteed loan (which is typically lower than those on traditional mortgages but can still be several thousand dollars).

JUMBO LOANS

Jumbo loans (also known as non-conforming loans) are privately-backed mortgages that usually require a larger down payment, higher credit scores, and higher income levels from home buyers.



Jumbo loans offer a unique opportunity for home buyers to purchase a home that exceeds the conforming loan limit (which is adjusted yearly).



There are stricter lending requirements for jumbo loans. To get approved, you typically need to have a solid financial history, at least 5-10% down, and a good credit score. Jumbo loan interest rates are typically higher than conventional rates.

NO SCORE LOANS

If you have been working hard to pay off your debt and no longer have a credit score as a result of this, a no score loan might be a good option for you. You will go through a manual underwriting process to get this non-traditional mortgage.



It's a myth that you can't get a mortgage without a credit score. Not everyone can pay cash for a home, so this is a great option if you are debt-free and do not have a credit score. There are a variety of no-score loan types available, just ask a Loan Specialist what's best for you!



The manual underwriting process can take a little longer than traditional underwriting. You must have record of a housing payment for at least 12 months. This type of loan is not for those with low credit score, it's for those who are "credit invisible" and have a zero credit score due to a debt-free lifestyle.



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