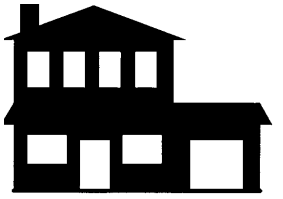
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HOME OWNERSHIP
FACT SHEETS

Types of Lending Products

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I. Government Insured

Loan Type	Benefit	Disadvantage
FHA *PITI 29/41* *6% for closing costs and down payment*	Good Interest Rates Low Down Payment & Closing Costs Assumable Mortgage	Mortgage Insurance
UHFA (Regular State Money) *PITI 29/41* *6% for closing costs and down payment*	Same as FHA Lowest Fixed Interest Rate	Mortgage Insurance Potential Recapture Income Limits Can Never be a Rental 1st Time Homeowners
⌂ **UHFA/CHAMP** PITI 29/41 *UHFA credit of 4% toward closing costs and down payment*	Same as FHA & UHFA Home Owners Warranty UHFA Contribution of 4% Buyer Education	Same as Regular UHFA Income Limits
2-1 Buydown *Prepay interest at closing for 2 years*	Same as FHA & UHFA Can be used with most ARMs Lower Payment 1st Two Years Can Qualify at 2% Below Note Rate	Cost Approximately 2.5%
USDA Home Guaranteed Farmers Home--(Rural Dev.) *PITI 29/41* *0% down payment + 3% closing costs*	100% Financing No Mortgage Insurance	Home Inspection Required Home must be in Rural Area 1% Application Fee Income Limits
FHA Adjustable Rate Mortgage *PITI 29/41* *5.5% down payment + 3% closing costs*	Same as Regular FHA Interest Rate Caps, 1% per year, 5% over the life of loan Margin 2.5 - 2.75 Qualify at Start Rate	Same as Regular FHA
FHA 203K *PITI 29/41* *3% down payment + 3% closing costs*	Same as Regular FHA Includes Repairs / Fix Up in One Loan	1/2% Higher Rate (unless UHFA) Same as Regular FHA

VETERANS ADMINISTRATION *PITI 0/41* *0% down payment + 3% closing costs*	Same as Regular FHA 100% Financing Good Interest Rates	Mortgage Insurance
USDA Direct Loan (502) (Rural Dev.) *PITI 29/41* *0% down payment + 1% closing costs*	100% financing Subsidy Available No Mortgage Insurance	Limited Funds (waiting list) Potential Recapture Fee Only on Rural Homes Has to be graduated when income is high enough

II. Conventional Programs

Loan Type	Benefit	Disadvantages
Regular Fixed Rate Mortgage *PITI 28/36 or 33/38 or 0/39* *5% or 3% down payment + 4.5% closing costs*	95% Financing Good Interest Rates Less Expensive Mortgage Insurance No Mortgage Insurance if Loan to Value < 80%	Non-assumable Debt Ratios 28/36 Closing Costs > FHA
Non Conforming	Buy Home Bad Credit is OK Easier to Qualify	Higher Interest Rates Larger Down Payment
⌂ **FreddieMac Affordable Gold** *PITI 0/41* *5% down payment + 3 ½% closing costs*	95% Loan Debt Ratio 0/41 2% Gift Option Seller can pay 3% of Closing Costs Buyer Education	Income Limits Mortgage Insurance
⌂ **Fannie CHBP** *PITI 33/38* *5% down payment + 3% closing costs*	97% Loan 2% Gift Option Seller can pay Closing Costs Buyer Education	Income Limits Mortgage Insurance
Adjustable Rate Mortgage *PITI 28/36* *10% down payment + 3% closing costs*	Many to Choose From Loan Start Rate Usually Low Interest Rate Caps 2% per year, 6% over the life of loan Margins 2.75 - 3.0 Convertible and Assumable	Payments can increase 90% Loan Mortgage Insurance Watch for Negative Amortization
Energy Efficient Mortgage	Larger Mortgage or Lower Interest Rate Easier to Qualify for Loan Lower Utility Costs More Energy Efficient Home	Home must qualify as Energy Efficient

⌂ *Required participation in a Buyer Education Program*

Additional resources include: the Olene Walker Trust Fund, available through the USDA Rural Development Office; the HUD Bridal Registration for the down payment; reduced mortgage insurance if a buyer completes an educational program; FHA now allows a loan, rather than a gift, from family members for the down payment; mortgage loans are now available on the Indian Reservations; homes in kits that home owners can build themselves; and "Home Start Program"--where the Federal Home Loan Bank of Seattle provides a 1 to 2 match (homeowner saves $1,000--match $2,000.)

Glossary

Adjustable Rate Mortgage (ARM): A mortgage whose interest rate changes over time based on an index.

Assumable Mortgage: A mortgage that can be taken over (assumed) by the buyer when a home is sold.

Buydown: A option of paying extra money to buying down the interest rate on a mortgage.

Interest Rate Cap: A provision of an ARM limiting how much the interest rate on a mortgage may increase.

Convertible: An adjustable rate mortgage that can be converted to a fixed rate mortgage under specified conditions.

PITI Debt Ratios: (Principle, Interest, Taxes, Insurance) Guidelines applied by lenders to determine how large of a mortgage to grant a home buyer. Lenders often use 29/41. This means that 29% of household income can be used for housing costs (principal, interest, taxes, and insurance) and 41% of household income can be used for housing costs plus other debts, such as auto loans, credit cards, student loans, and medical debt.

FHA Loan: A mortgage that is insured by the Federal Housing Administration.

Fixed Rate Mortgage (FRM): A mortgage in which the interest rate does not change during the entire term of the loan.

FmHA Guaranteed: The Farmers Home Administration, a branch of the U.S. Department of Agriculture, offers low-interest mortgages loans to low and moderate income persons who live in rural areas or small towns.

Loan-to-value Ratio (LTV): The relationship between the amount of a mortgage and the total value of the property.

Margin: The set percentage the lender adds to the index rate to determine the interest rate of an ARM.

Mortgage Insurance: Insurance that protects lenders against loss if a borrower defaults on loan. Usually only required if loan is for more than 80% of purchase price.

Negative Amortization: Payment terms under which the borrower's monthly payments do not cover the interest due; as a result, the loan balance increases.

Recapture Fee: Taken by the Government, under law a fixed portion of earnings exceeding a specific percentage of the property value. Taken if all three conditions are met: 1) significant increase in income, 2) increase in home value, and 3) sell home within 9 years.

UHFA Loan: A Utah Housing Finance Agency mortgage, that is also called state money.

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