



AMERICAN
REAL ESTATE

THE PRE-QUALIFICATION & pre-approval process

Now that you know you want to buy a house, how do you know how much you can afford and if you qualify for a loan? The way to get started is to go through the pre-qualification and pre-approval process with a lending specialist.

Pre-Qualified



VS.



Fast, brief estimate of your buying power

By phone or online

1st step in home buying process.

Overall financial picture

Minimal credit review.

Gather basic information.

Gives you a price range to shop

No cost involved

A 'guesstimate' – not a sure thing

Pre-Approved

Thorough, precise approval of loan amount

Meeting plus paperwork

1st step in the loan process.

In-depth look at financial

Full credit report.

Detailed information with verification

Specific mortgage amount for which you qualify

Some fees such as credit check

A loan commitment letter

3 factors that affect what you can afford:

1

Down Payment

Do you have enough liquid cash to make a down payment? How much?

2

Ability to Qualify

Are you able to qualify for a loan? Determined by one of the two processes discussed above.

3

Closing Costs

Associated costs to close a home, such as survey fees, title insurance, etc..



How much is a down payment?

Most loans today require a down payment. However, some loans may start as low as 0%.

The required down payment depends on the type and terms of the loan. A good rule of thumb is 3% to 20%.

If you are able to come up with 20-25% down, you will eliminate mortgage insurance!



1

Down Payment

0%

V.A.

3.5%

F.H.A.

3-20%

Conventional

What does my monthly mortgage payment include?

Most lenders require that your monthly payment range between 29 – 36% of your gross monthly income. Your mortgage payment to the lender includes the following:

- The principal on the loan (P)
- The interest on the loan (I)
- Property Taxes (T)
- The homeowner's insurance (I)

This is what we call PITI. Your total monthly PITI and all debt (from installments to revolving charge accounts) should range between 36-45% of your gross monthly income. These key factors determine your ability to secure a home loan: credit, assets, income, debt ratios.



2

Ability to Qualify

36-45%

of gross monthly income

How much are closing costs?

There are certain fees required for acquiring a loan as well as other closing costs. These fees must be paid in full at the closing unless you are able to include them in your financing. Typically closing costs will range between 3-6% of your mortgage loan.

Your ERA American Real Estate professional will provide you with an estimated cost sheet that explains the fees associated with purchasing a home.



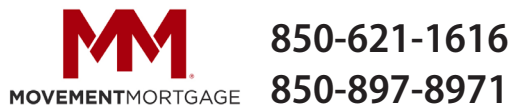
3

Closing Costs

3-6%

of mortgage loan

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