

## PRE-QUALIFICATION

Pre-qualification is the process of estimating the amount of mortgage you can afford.

**You provide the following information:**

- How much money I earn
- How much money I owe
- How much money I have available for the downpayment, closing costs and reserves

Your Mortgage Specialist estimates how much money you can borrow to purchase a home and what your monthly mortgage payment will be.

This is an informal process. The information you provide is not verified, and no formal commitment of credit is issued.

At Harris, pre-qualification is **free**.



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**Pre-Qualification Example:****How much do I earn?**

Monthly Income		
Combined Gross Wages of All Borrowers (before tax deductions)	\$	4,000.00
Alimony/Child Support		-0-

**How much do I owe?**

Monthly Payments		
Auto Loans	\$	350.00
Student Loans		-0-
Credit Card Payments	\$	200.00
Alimony/Child Support		-0-

**How much money do I have available for the downpayment, closing costs and reserves?**

Bank Accounts	\$	5,000.00
Gift from Relative	\$	5,000.00
Grant		-0-
Second Mortgage		-0-

**How much can I borrow to purchase a home?**

Loan Terms		
Loan Type		Fixed Rate
Interest Rate		5.50%
Term		30 years
Downpayment		5%
Qualification Guidelines		
Monthly Housing Expense Ratio		No Limit
Monthly Recurring Debt Ratio		41%
Maximum Purchase Price	\$	195,000.00
Downpayment	\$	9,750.00
Maximum Loan Amount	\$	185,250.00
Monthly Mortgage Payment		
Principal and Interest	\$	1,051.83
Real Estate Taxes*	\$	325.00
Hazard Insurance*	\$	40.00
Private Mortgage Insurance*	\$	75.00
<b>Total Payment</b>	<b>\$</b>	<b>1,491.83</b>

\* These amounts are paid monthly by borrowers (together with their principal and interest payment) and may be held in an escrow account by the lender for the payment of real estate taxes, hazard insurance, private mortgage insurance and/or flood insurance premiums when they become due. This example is for illustrative purposes only.

## RENT VS. OWN COMPARISON—SAVINGS/ADVANTAGES

	Mortgage	Rent
	Fixed Rate 5.50% 30 years \$185,250.00	
<b>Monthly Payment</b>	Principal and Interest \$1,051.83	Rent \$1,000.00
<b>Tax Bracket</b>	28%	28%
<b>After the first year...</b>		
<b>Tax Savings / Month</b>	\$234.81	—0—
<b>Net Payment / Month</b>	\$817.02	\$1,000.00

Using the pre-qualification example, you would make monthly principal and interest payments of \$1,051.83 to the lender.

But when filing your federal income taxes after the first year, the “net effective” monthly payment would be reduced to \$817.02 because of the itemized deductibility of mortgage interest.

**This means that you could save \$234.81 each month.**

There is no tax savings when you rent.

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## HARRIS AFFORDABLE MORTGAGE PRODUCTS AND PROGRAMS

Harris offers a variety of affordable mortgage products and programs for first-time homebuyers.

### 🏠 Typical features of affordable products and programs may include:

- Fixed rate and adjustable rate mortgage options
- 1- to 4-unit owner-occupied properties
- Annual household income limits
- Low downpayment
- Gifts from relatives for downpayment and/or closing costs
- Grants and second mortgages for downpayment and/or closing costs
- Housing expense payment reserves
- Minimum credit scores
- Alternative credit sources
- Expanded guidelines for qualification
- Private Mortgage Insurance (PMI)
- Borrower pre-purchase education seminar
- Closing cost discounts



**TIP: YOUR MORTGAGE SPECIALIST  
CAN HELP YOU CHOOSE THE PRODUCT  
OR PROGRAM THAT IS BEST FOR YOUR  
FINANCIAL SITUATION.**

## FIXED RATE VS. ARM COMPARISON

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### Fixed Rate Mortgages

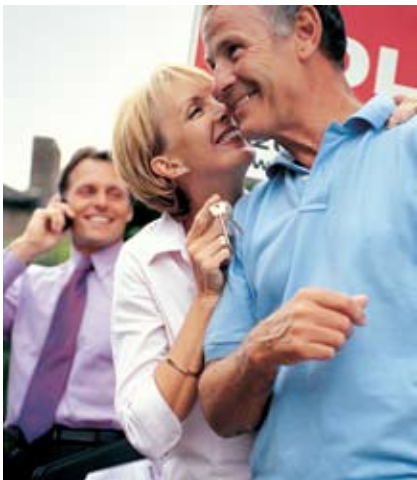
Many homebuyers choose fixed rate mortgages because these mortgages are simple, stable and conservative.

- Your interest rate and your payment remain the same for the life of the loan.
  - Even if market conditions change, your interest rate and your payment will not be affected.
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### Adjustable Rate Mortgages (ARMs)

Some homebuyers choose adjustable rate mortgages instead of fixed rate mortgages.

- Your interest rate and your payment may increase or decrease during the life of the loan, depending on market conditions.
- Because the initial interest rate may be lower than a fixed rate mortgage, your initial payment may be lower and you may qualify for a larger mortgage amount.



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## WHAT TO BRING FOR AN APPLICATION

### **Income**

- Paycheck stubs: past 30 days and W-2 forms from last two years
- Names and addresses of employers: last two years
- Tax returns: last two years (if self-employed)
- Divorce decree (if you will use alimony, child support or maintenance payments to qualify)

### **Assets: Downpayment, Closing Costs and Reserves**

- Bank statements for all checking, savings, money market and Certificate of Deposit accounts from the last three months
- Gift Affidavit (if a gift is being used as part of the downpayment or closing costs)
- IRA or 401(k) statements: last three months



### **Debts and Obligations**

- Account numbers, balances and monthly payments for all revolving credit cards, car loans, student loans, lines of credit
- Names and addresses of all landlords and monthly rent payments: last two years
- Divorce Decree (if you are making alimony, child support or maintenance payments)

### **Property**

- Signed sales contract (including all riders)
- Names, addresses and phone numbers of all realtors and attorneys
- Listing sheet and legal description of the property

## PRE-QUALIFICATION AND PRE-APPROVAL

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**In both the pre-qualification and pre-approval process, you provide the following information:**

- How much money I earn
  - How much money I owe
  - How much money I have available for the downpayment, closing costs and reserves
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### **Pre-qualification**

If you are considering homeownership in the near future, you should contact your Mortgage Specialist and request a **free pre-qualification**.

In this informal process, your Mortgage Specialist estimates how much money you can borrow to purchase a home and what your monthly mortgage payment will be.

### **Pre-approval**

If you are ready to begin shopping for a home, you should contact your Mortgage Specialist and request a **free pre-approval**. A pre-approval is a formal application for a home loan.

Realtors and builders prefer to work with buyers who have been pre-approved for a mortgage before they begin shopping for homes.

A credit report is ordered and documentation is received to verify your employment, income and assets.

A written commitment of credit is issued (good for 120 days) identifying the maximum amount of money you can borrow and what your monthly payment will be.