



Qualifying for a Mortgage

Diana Carvajal-Hirsch
Managing Director

MVHP, March 2025

The Four C's

Capacity

Credit

Capital

Collateral

What is the lender looking for?

Capacity

Capacity – Income

Must be stable and likely to continue

- 2-year employment history
- Gaps/exemption

Sources of Underwriting Income

- Full-time occupation, part-time, seasonal employment, trust income, self-employment, social security, alimony/child support, projected rental income.
- Gross monthly income

Capacity

Income Exercise

BASE INCOME:

- Nurse = 3 yrs.

2023 = \$71,000

2024 = \$75,000

2025 = Annual Salary \$78,000

TOTAL GROSS MONTHLY INCOME = \$6,500

Credit

Credit and Debt

HAVE YOU BEEN MANAGING YOUR DEBT?

OTHER MONTHLY OBLIGATIONS

- Credit report: clean payment history, inquiries (90 days)
- Non-traditional Credit:
 - Rental, utilities, cell phone, car/life insurance payments, etc.
- FICO Scores: 640-660 (single/condo) >660 multifamily.

Credit

Debt Exercise

FICO SCORES

- Transunion: 690
- Equifax: 740
- Experian: 700

MONTHLY PAYMENTS:

Student loan:	\$250
Credit card (Visa):	\$35
Department store card (Macy's):	<u>+ \$50</u>
Total monthly debt:	\$335

Capital

Capital = Savings

SAVINGS – Importance of verifying them

ACCEPTABLE

- Savings/Checking
- CD's
- Stocks
- 401 (k)
- Gifts

UNACCEPTABLE

- Mystery cash
- Unverifiable funds
- Borrowed money

Financial assistance programs: City, lender, loan program

Capital = Savings

WHAT MUST IT COVER?

Minimum down payment (3% - 5%)

CLOSING COSTS:

- Bank & Title services fees: application, UW, processing, credit report, appraisal, lenders/title insurance, recording, etc.
- Prepaid items: Escrows (taxes, insurance), mortgage interests.
- Reserves

Capital

Savings Exercise

Purchasing price \$300,000, property taxes \$3,000/year, home insurance (HO6, walls-in) \$400/year

Down payment 3%	\$9,000
Closing Costs, estimate (including lenders/owners title ins)	\$5,000
Prepaid items, estimate (including 30-day prepaid interests)	\$2,500
	+ _____

Total required funds to close = \$16,500

AVAILABLE FUNDS

Checking	\$2,000
Savings	\$7,000
	+ _____
Total liquid assets	\$9,000

FCB Grant	\$15,000
	+ _____

Total available funds to close = \$24,000

Closing costs covered and additional \$3,000 towards downpayment.

Reserves: \$4,500 (\$9000 – 1.5% minimum contribution)

401K: \$20,000

Collateral

Collateral = Property

The lender will check the following:

- Appraisal
- Title
- Municipal Lien Certificate
- 6D Certificate

Who is who
in the
Mortgage
Process?

What is an
Underwriting
process?

The lender's team:

- Loan Officer
- Underwriter

The Underwriting Process:

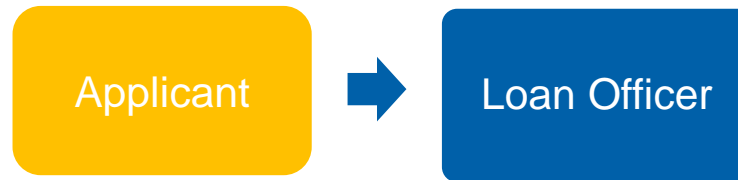
Risk Analysis



■ Capacity ■ Credit ■ Capital ■ Collateral

How much can I borrow?

Pre-qualification



VS

Pre-approval



Pre-Approval Letter Sample

Notice: Your actual rate, payment, and cost could be higher. Get an official Loan estimate before choosing a loan.

July 15, 2024

First time homebuyer
XXX St
Boston, MA 02119-3047



Dear First time homebuyer :

Based upon the credit information that you provided, you are **pre-approved** for a mortgage with *First-Citizens Bank & Trust Company (First Citizens or the Bank)* in the amount up to **\$ 250,500**. This first mortgage pre-approval is based on the terms of our **ONE + Boston** mortgage product at the current interest rate of **4.500%** *with no points. *The current interest rate is not locked and is subject to change without notice.

This pre-approval is subject to First Citizens banking policies and guidelines including, but not limited to:

- An appraisal, acceptable to First-Citizens Bank & Trust Company, on the subject property, supporting the proposed purchase price and a maximum loan to value ratio of 83.5%.
- Verification that taxes, insurance, and condo fees do not exceed \$356/month.
- Satisfactory receipt of sufficient funds to close.
- Subject to Final MHP **ONE + Boston** approval.
- Subject to final approval from the City of Boston Financial downpayment assistance loan program (if applicable) of 5% of purchase price.
- Verification of attendance at a First Time Homebuyer Class if applicable.
- Subject to final Financial Assistance approval of any non-Bank sponsored home buyer assistance program for which you may have applied (if applicable).
- You are eligible to obtain funds from the Bank's Down-payment and Closing Cost Assistance Program. This is not a fund reservation. Funds are available on a first come first serve basis and can be applied for once there is a fully executed Purchase & Sale Agreement.
- Subject to final loan approval, and property to be located within the bank's designated area.
- Subject to no material change in your financial condition or creditworthiness prior to closing.
- Total household's assets not to exceed \$75,000.

This is not a loan approval. **This pre-approval is not a contract between you and First-Citizens Bank & Trust Company, and is not a commitment by First-Citizens Bank & Trust Company to make you a loan.** Finally, this pre-approval does not lock in or guarantee loan terms, interest rate or fees.

Please do not hesitate to contact Diana Carvajal-Hirsch (NMLS# 704461) at if you require further information regarding this matter. We look forward to assisting you with this purchase.

This pre-approval will expire on 11/15/2024

Sincerely,
Diana Carvajal-Hirsch
Diana Carvajal-Hirsch
NMLS ID: 704461
First-Citizens Bank & Trust Company
1314 Park St
Columbia, SC 29201
decarvajal@svb.com

123-ABC BANK

May 3, 2017

Mr. Client
123 Fantasy Lane
Boston, Ma 02100

Dear Mr. Client,

Congratulations on your pre-approval!

We were able to determine that you qualify to purchase a \$290,000 primary residence with 97% in 123-ABC Bank sponsored One Mortgage Program financing based on your proven level of income, savings, and credit history. We understand that your finalized mortgage amount may adjust downwards to reflect a larger down payment, or a lower purchase price.

Also, this pre-approval is not subject to the sale of any owned real estate.

Let me know if you have any questions or concerns. Thank you for your application, we look forward to working with you!

Sincerely,

Jane Smith
ABCD Bank
405 The Other Guys Blvd
Boston, Ma 02100
(999) 999-9999

Documentation Needed for a Pre-Approval

- Questions about your credit...
- W2's and tax returns for the past 3 years
- Most recent pay-check stubs
- Last 2 months bank statements for: checking & savings accounts

Ratios

Qualifying Ratios

- Housing Ratio
- Allowable housing debt (33%-38% of Gross monthly income =
PITI (Principal, Interest, Taxes, Insurance, condo fee, and PMI)
- Debt Ratio
- Allowable Total Debt (38-50% of Gross monthly income =
PITI + Other Debt

Ratios

Exercise

Qualifying Ratios

- **Housing Ratio:** (38%) \$6,500 = \$2,470

PITI (Principal, Interest, Taxes, Insurance, condo fee)

- **Debt Ratio:** (50%) \$6,500 = \$3,250

(PITI + \$335 other monthly debt)

PITI

Exercise

Purchase price \$300,000, property taxes \$3,000/year, home insurance (HO6) \$400/year, condo fee \$200/month

Product: ONE (3% down, 640 FICO, Max DTI, 33%-38% UP TO **36%/43%**)

Rate: 5.875%

Loan Amount: \$288,000 (\$300,000-\$7,500 FCB-\$4,500)

Principal plus interest	\$1,704
PMI	\$ 0
Taxes	\$ 250
Insurance (HO6)	\$ 33
Condo Fee	<u>+\$ 200</u>
Total PITI	\$2,187

Housing/Debt ratio

$\$2,187 \text{ PITI} + \$335 \text{ debt} / \$6,500 = < 33\%-38\%$.

Steps after you get pre- approved

Notice: Your actual rate, payment, and cost could be higher. Get an official Loan estimate before choosing a loan.

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This pre-approval is subject to First Citizens banking policies and guidelines including, but not limited to:

- An appraisal, acceptable to First-Citizens Bank & Trust Company, on the subject property, supporting the proposed purchase price and a maximum loan to value ratio of **87.5%**.
- Verification that taxes, insurance, and condo fees do not exceed **\$556/month**.
- Satisfactory receipt of sufficient funds to close.
- Subject to Final MHP **ONE + Boston** approval.
- Subject to final approval from the City of Boston Financial downpayment assistance loan program (if applicable) of 5% of purchase price.
- Verification of attendance at a First Time Homebuyer Class if applicable.
- Subject to final Financial Assistance approval of any non-Bank sponsored home buyer assistance program for which you may have applied (if applicable).
- You are eligible to obtain funds from the Bank's Down-payment and Closing Cost Assistance Program. This is not a fund reservation. Funds are available on a first come first serve basis and can be applied for once there is a fully executed Purchase & Sale Agreement.
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This pre-approval will expire on 11/15/2024

Sincerely,
Diana Carvajal-Hirsch

Diana Carvajal-Hirsch
NMLS ID: 704461
First-Citizens Bank & Trust Company
1314 Park St
Columbia, SC 29201
dearvajal@svb.com



Details of your preapproval:

Mortgage amount:
\$250,500
Purchase price: \$300,000
Property type: Condo
Loan type: Conventional/ONE
+ Boston
Loan term: 360
Interest rate: 4.50%
Down payment: \$49,500
Principal & interest: \$1,269
Estimated monthly payment: \$1,825
Preapproval expires on:
11/15/2024
This information is accurate as of date of issuance.

Types of Mortgage

- Fixed rate mortgages (30, 20, 15 yrs.)
- Adjustable-rate mortgages (3, 5, 7, 10 yrs.)
- Others (FHA, VA, etc.)
- Special mortgages (First time homebuyers, ONE, MassHousing, SVB/FCB Community mortgages)

Mortgage Product Comparison

	FHA	MassHousing with MI, LPMI (various options)	ONE (ONE + Boston)	SVB/FCB Community Opportunity
Min. FICO Score	620 or less	640-660-680-700	640- 660	640-660
Income limits	N/A	Different limits Lowell \$82,500 (HH 4-\$148,900). www.masshousing.com	\$137,500 Lowell 4HH)/ by city/town and household size. Includes income from all adult HH members. www.mhp.net	\$149,000 or up to \$298,000 + SVB designated areas
Loan limits	1 unit \$806,500, 2 Unit 1,032,650, 3 Unit \$1,248,150.	1 unit \$806,500, 2 Unit 1,032,650, 3 Unit \$1,248,150	1 unit \$806,500, 2 Unit 1,032,650, 3 Unit \$1,248,150	1 unit \$806,500,
Down payment`	3.5% (0% own funds)	3% -5% (3% own funds) multi	3% (1.5% own funds) single/condo- 2 family, 5% (3% own funds) 3 family	0% (0% own funds) single/condo
Reserves	Multi	Multi	1 PITI = 2 Family 2 PITI = 3 Family	2 PITI
Up Front PMI	YES	Optional	N/A	N/A
Monthly PMI	YES	Optional or N/A DPA loan, MI plus	N/A	N/A
Savings		\$\$	\$\$	\$\$

This evaluation form contains estimates only, is not a loan approval, and should be used as an educational tool only

FCB Mortgage Product Comparison

Gov Loan (FHA)		MASSHOUING HFA Preferred 106		ONE		FCB Community Opp	
Purchase Amount	\$300,000	Purchase Amount	\$300,000	Purchase Amount	\$300,000	Purchase Amount	\$300,000
Down payment (3.5%)	\$10,500	Down Payment (\$3000 minus CC)	\$22,500	Down Payment (1.5% \$4,500 + \$7,500 FCB assistance)	\$12,000	Down Payment (1.5% \$4,500 + \$7,500 FCB assistance)	\$12,000
Loan Amount	\$289,500	Loan Amount	\$277,500	Loan Amount	\$288,000	Loan Amount	\$288,000
Up-Front PMI	\$5,066	Up-Front PMI	N/A	Up-Front PMI	N/A	Up-Front PMI	N/A
Total Loan Amount	\$294,566	Total Loan Amount	\$277,500	Total Loan Amount	\$288,000	Total Loan Amount	\$288,000
# Monthly Payments	\$360	# Monthly Payments	\$360	# Monthly Payments	\$360	# Monthly Payments	\$360
Interest Rate (Fixed)	6.75%	Interest Rate (Fixed)	7.00%	Interest Rate (Fixed)*	5.875%	Interest Rate (Fixed)*	6.75%
Principal & Interest payment	\$1,911	Principle & Interest Payment	\$1,846	Principle & Interest Payment	\$1,704	Principle & Interest Payment	\$1,868
Taxes	\$250	Taxes	\$250	Taxes	\$250	Taxes	\$250
Insurance	\$33	Insurance	\$33	Insurance	\$33	Insurance	\$33
Mortgage Insurance	\$133	NO MI/ PMI	\$0	NO MI/ PMI	\$0	NO MI/ PMI	\$0
Condo Fee	\$200	Condo Fee	\$200	Condo Fee	\$200	Condo Fee	\$200
Total Monthly Payment	\$2,526	Total Monthly Payment	\$2,329	Total Monthly Payment	\$2,187	Total Monthly Payment	\$2,351
FCB assistance	UP TO \$15k (\$5,066 UFPMI+\$7,500 CC)	DPA loan	\$30k (\$22,500 DP+\$7,500 CC)	FCB assistance	\$15k (\$7,500 DP+\$7,500 CC)	FCB assistance	\$15k (\$7,500 DP+\$7,500 CC)

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Important Mortgage Forms

- Application (1003)
- LE
- Commitment letter
- Closing Disclosure

Importance of a Mortgage Officer/Lender

- Experience
- UW/Processing
- Costs (Application fee, credit, financial assistance)/ Rate
- Loan Servicing

Thank you!

Diana Carvajal-Hirsch

Managing Director

NMLS ID: 704461

Silicon Valley Bank a division of
First Citizens Bank.

617.912.3991

Dcarvajal@svb.com

About First Citizens Bank

We've been helping families and businesses make more of their finances for 125 years. We've shared their dreams, helped make budgets work harder and built financial plans to last them the rest of their lives. And in that time, we've built a solid track record of service, stability and reliability.

We're America's largest family-controlled bank with over 500 branches in 22 states. We are based in Raleigh, North Carolina. First Citizens Bank is listed at #24 on Fortune's 2024 list of fastest-growing companies. We're a top 20 financial institution with over \$200 billion in total assets.

Important Disclosures

All credit products and loans are subject to underwriting, credit, and collateral approval. All information contained herein is for informational purposes only and no guarantee is expressed or implied. This is not a commitment to lend. Rates, terms, programs and underwriting policies subject to change without notice. Terms and conditions apply. Please consult a tax advisor regarding the deductibility of interest.

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Public
Internal