BankMD

- The Mortgage Process
- Rent vs. Buy
- Do You Qualify?

Physician Mortgage (The Basics)

The Physician mortgage program is designed to making home ownership easy and affordable for recent medical school graduates heading into residency.

Program Basics:

- Banks offer Up to 100% financing (Many Banks require at least 5% down)
- No Mortgage insurance required (NO PMI)
- Exclusion of Student Loan debt payments from the credit approval process as long they are Deferred
- Up to 6% seller paid closing cost and pre-paid costs are allowed
- Gift funds are allowed
- Close 90 days prior to your start date
- No Cash Reserves requirements

STEP ONE (1)

Pre-Qualification:

Fill out basic information online.

Receive a Pre-Qualification Email and Letter within minutes.

Make a note: This is NOT a commitment to lend nor does this lock you into the loan.

STEP TWO (2)

Make an offer on a home you want to purchase

WHEN the offer is accepted, you will email the signed purchase agreement to the bank

Bank will review and confirm the agreement and send a loan estimate and all disclosures electronically

You will Read and Sign all e-disclosures immediately to prevent delays. (Electronically) (This does NOT commit you to the loan…..but are required for the Bank to move forward)

STEP Three (3)

Some of the documents you will need to provide prior to Full Approval:

1) Evidence of acceptance into a residency program
2) Executed and signed offer letter
3) All Bank Statements, all pages (including blank pages) – 2 full months
4) Source of cash for closing costs, If Gifted funds (source of those funds).

STEP FOUR (4) – Lender will Verify the Following

- ✓ Credit Reports AND **FICO Scores**
- ✓ Your Financial Status
- ✓ **Debt-to-Income Ratios**
- ✓ Balances on all account statements
- ✓ Residency Enrollment (VOE) Verbal Verification of Employment
- ✓ Application accuracy
- ✓ Contract and/or Offer Letter
- ✓ Sources of all funds for down payment and escrows
- ✓ Property Appraisal
- ✓ An underwriter will review the loan and submit for a final approval

STEP FIVE (5) – Once all documentation is received and reviewed

- ✓ Loan will be submitted for full approval and a closing date will be set
- ✓ You will receive an Initial Closing Disclosure (CD), which will provide an estimate of closing costs. You must open the email and click on the attachment.
- ✓ Once you open the CD, this will begin a three (3) day right of rescission. So you can change your mind at anytime. The loan can't close until the three (3) days expire.
- ✓ Our Closers will work with the Title Company to "fine tune" the closing statement. You will eventually receive a final settlement statement breaking down the closing costs and amount you need to bring to closing to close on your new house.
- ✓ Closing Occurs
- ✓ The title of the home will be transferred to you

Buy vs. Rent

Owning a Home Pros	Owning a Home Cons	Renting Pros	Renting Cons
Can build equity	Home value can decrease	Have flexibility, can move to a new place each year	Rent prices can increase each year
Mortgage payments stay stable each month (with a fixed-rate mortgage)	Property taxes can increase each year	Landlord handles repairs	Landlord might not be responsive
Tax deduction	Must take responsibility for all maintenance	Have fewer upfront costs	Rent payments don't help you build equity
Home value can increase	Must pay homeowners insurance costs		
	Have less flexibility		
	Have high upfront expenses with down payment and closing costs		

Running the numbers?

Some people decide with their guts. Others want a detailed analysis. If you're in the latter camp, here are some finer points to keep in mind as you're calculating your rent vs. buy comparison:

Factor in the full costs of ownership. In addition to mortgage payments, you'll face property taxes, insurance, routine maintenance, and occasional larger upgrades. (One guideline is to estimate maintenance costs at 1% of the home's value per year.)

Double-check on that mortgage interest deduction. It won't make sense for you to deduct interest unless all your itemized deductions are greater than the standard deduction (which in 2022 is $12,950 for individuals and $25,900 for married couples filing jointly).

Consider your next-best use for that money. Remember that a home isn't the only way to build equity. If renting is cheaper, you could invest the money you save by renting in a diversified portfolio to potentially build wealth over time.

Things to Consider When Considering Buying a Home

- Are you truly in a financial position to buy?
- **Why it matters**: If buying overstretches your finances, you might be less able to cope with a financial emergency or save for other important goals like retirement. Plus, an inadequate down payment or subpar credit score might leave you at a disadvantage if you're trying to get an offer accepted in today's competitive buying market
- **What to consider**: The relevant aspects of your finances include:
- **Your income**: If you don't have sufficient income it might not be the right time.
- **Your down payment**: Depending on qualifications, you may be required to put some money down
- **Your credit score**: Without solid credit, you might not qualify for a mortgage or even be approved for a loan in the first place.
- **Your other debts**: One guideline is that your total monthly debt payments shouldn't exceed 46% of your pretax income. If you have other debt, there may be less room in your finances for mortgage payments.

Things to Consider When Considering Buying a Home

Will you stay for at least a few years? Why it matters: When you buy, you'll face a boatload of one-time expenses, like broker fees, mortgage origination fees, and title insurance. The longer you stay put, the more time you have to spread out those costs and for your home to potentially rise in value.

What to consider: If you're planning to stay less than 3 years, it likely doesn't make financial sense to buy. (Staying less than 2 years can come with particular tax disadvantages, because you generally won't qualify for a capital gains tax exclusion . This means you'll owe capital gains tax on the full amount of any increase in your home's value.)

Would you still want to buy if your home's value doesn't rise? Why it matters: Although home prices have historically risen over long periods, there's no guarantee that they will in any given time frame or in any particular area. Plus, what matters for you will be the value of your specific property, which can be influenced by everything from the local economy to whether your neighbors take good care of their lawns.

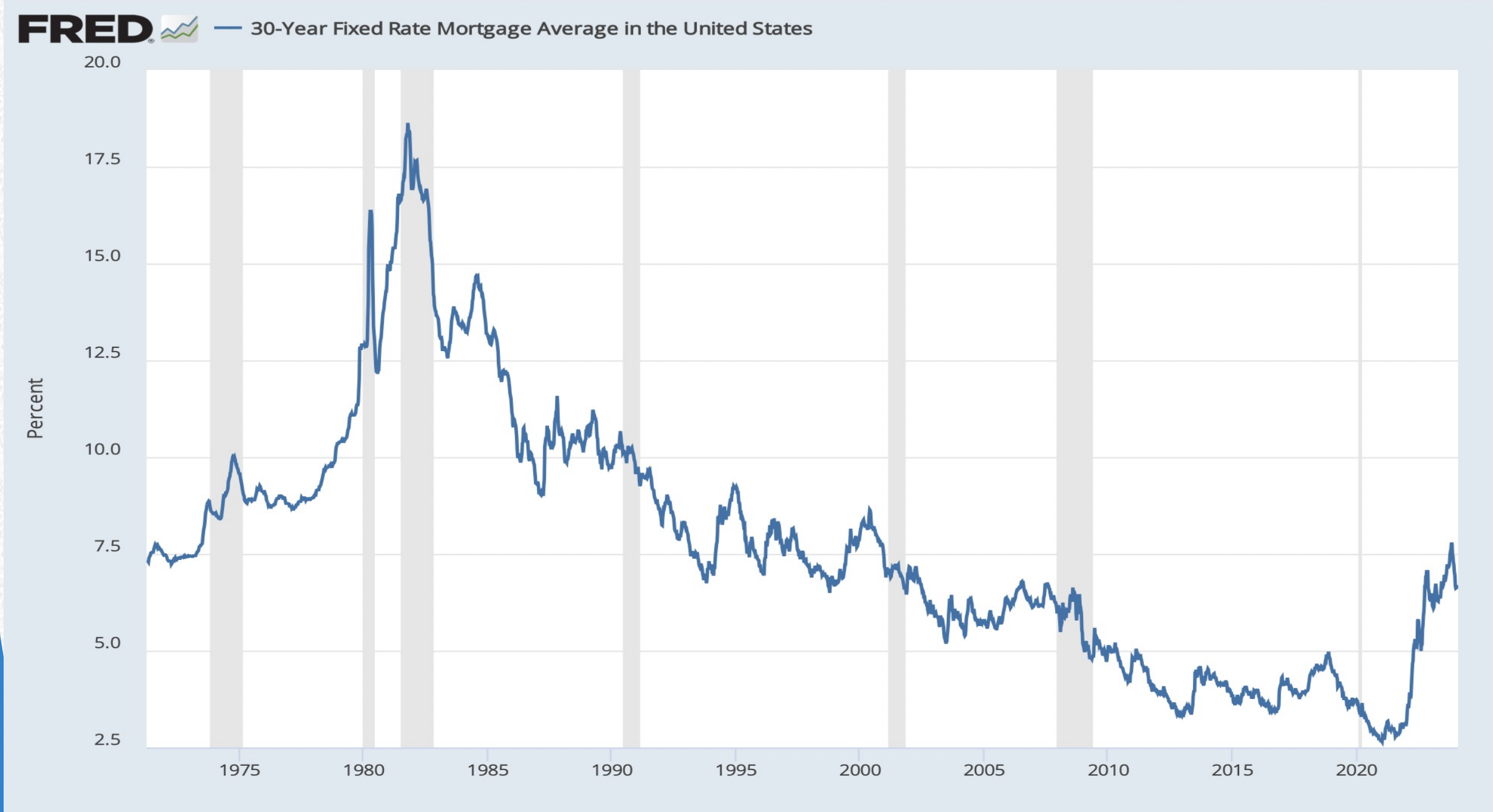
What to consider: Think about how you'd feel if your home's value didn't budge over 10 years or didn't rise as much as inflation. If you buy, you'll need to accept the possibility that your home won't be a great investment.

What does your heart say? Why it matters: Buying a home isn't just a financial transaction. It's also a source of added responsibility, and for many people, pride and satisfaction. You want to make a decision that you can feel good about years down the line.

What to consider: Ask yourself if you feel ready for the level of commitment that owning a home entails. If being on the hook when the basement floods or the roof leaks terrifies you, it could be you're not quite there yet. On the other hand, if you know you want to put down more permanent roots, then you might be ready to take the next step. Ultimately, the numbers can help you decide, but they can't decide for you.

Some Data for your consideration

Historical Interest Rates



Will you qualify?

How A Bank will evaluate you

Debt-to-Income Ratio or (DTI)

Typical Acceptable Range for Approval is 43-50%

Your debt-to-income ratio (DTI) is all your monthly debt payments divided by your gross monthly income. This primary way lenders measure your ability to manage the monthly payments to repay the money you plan to borrow.

How do I calculate my debt-to-income ratio?

To calculate your DTI, you add up all your monthly debt payments and divide them by your gross monthly income. Your gross monthly income is generally the amount of money you have earned before your taxes and other deductions are taken out.

EX: You buy a $250,000 home at an interest rate of 7.125% your monthly estimated payment with taxes and insurance included is **$2,225 a month**.

Let's assume you pay another $350 a month for the rest of your debts, your monthly debt payments are $2,575. **($2,225 + $350 = $2,575.)**

If your gross annual income is $62,000 than your gross monthly income is $5,166 then your debt-to-income ratio is 49.8 percent. **($2,575 is 49.8% of $5,166.)**

FICO SCORE

FICO SCORE: Range for approval 680+

What is a Credit Score?

A credit score tells lenders about your creditworthiness (how likely you are to pay back a loan based on your credit history). It is calculated using the information in your credit reports. FICO® Scores are the standard for credit scores—used by 90% of top lenders. Credit scores influence the credit that's available to a person and the terms (interest rate, etc.) that lenders may offer. It's a vital part of credit health.

While many lenders use credit scores like FICO Scores to help them make lending decisions, each lender has its own strategy, including the level of risk it finds acceptable. There is no single "cutoff score" used by all lenders and there are many additional factors that lenders may use to determine your actual interest rates.

What does your credit score say about you, according to a Bank?

Credit Score Ranges	Rating	Description
<580	Poor	This credit score is well below the average score of U.S. consumers and demonstrates to lenders that the borrower may be a risk.
580-669	Fair	This credit score is below the average score of U.S. consumers, though many lenders will approve loans with this score.
670-739	Good	This credit score is near or slightly above the average of U.S. consumers and most lenders consider this a good score.
740-799	Very Good	This credit score is above the average of U.S. consumers and demonstrates to lenders that the borrower is very dependable.
800+	Exceptional	This credit score is well above the average score of U.S. consumers and clearly demonstrates to lenders that the borrower is an exceptionally low risk.

Questions?

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