2014 Home Financing for Doctors

This is what you NEED to know

by

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## What Obstacles Do You Face? *(Can you buy a home?)*

<table>
<thead>
<tr>
<th>Obstacles</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Little/no savings</td>
<td></td>
</tr>
<tr>
<td>Student loan debt</td>
<td></td>
</tr>
<tr>
<td>Low/moderate income</td>
<td></td>
</tr>
<tr>
<td>No verifiable income &amp; no pay stubs</td>
<td></td>
</tr>
<tr>
<td>Job starts in July, but wish to move in June or earlier</td>
<td></td>
</tr>
<tr>
<td>You don’t know where to begin</td>
<td></td>
</tr>
</tbody>
</table>
What Mortgage Products Are Out There?

Which is best? Which do you need? Which do you qualify for?

**Physician Loan Portfolio**

**Conforming**
- Fannie Mae
- and Freddie Mac

**FHA**
- Government Insured

**VA**
- Government Guaranteed

[Source: physicianloans.com]
<table>
<thead>
<tr>
<th>Needs</th>
<th>Physician Loan</th>
<th>Conforming</th>
<th>FHA</th>
<th>VA</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% loan</td>
<td>✔️</td>
<td>✔️ 5%</td>
<td>3.5%</td>
<td>✔️</td>
</tr>
<tr>
<td>Special Student loan consideration</td>
<td>✔️</td>
<td></td>
<td>✔️ 5%</td>
<td>✔️</td>
</tr>
<tr>
<td>Low interest rates</td>
<td>✔️</td>
<td>✔️ ✔️ 3.5%</td>
<td>✔️ 5%</td>
<td>✔️</td>
</tr>
<tr>
<td>No PMI</td>
<td>✔️</td>
<td>✔️ ✔️ 3.5%</td>
<td>✔️ 5%</td>
<td>✔️</td>
</tr>
<tr>
<td>High debt ratios allowed</td>
<td>✔️</td>
<td>✔️ ✔️ 3.5%</td>
<td>✔️ 5%</td>
<td>✔️</td>
</tr>
<tr>
<td>Approval with employment letter</td>
<td>✔️</td>
<td>✔️ ✔️ 3.5%</td>
<td>✔️ 5%</td>
<td>✔️</td>
</tr>
<tr>
<td>Close 60 days before job starts</td>
<td>✔️</td>
<td></td>
<td>✔️ 5%</td>
<td>✔️</td>
</tr>
<tr>
<td>Special underwriting</td>
<td>✔️</td>
<td></td>
<td>✔️ 5%</td>
<td>✔️</td>
</tr>
</tbody>
</table>

Source: [physicianloans.com](http://physicianloans.com)
1. Select a Loan Officer you trust
2. Get Pre-Qualified by the Loan Officer
3. Select a Realtor you trust
4. Find a home & get under contract
5. Have the home inspected and appraised
6. Update your loan approval papers
7. Obtain a CTC (Clear to Close)
8. Prepare a certified check for closing
The 3 C’s

Credit Scores

720+  700 –  680 –  640 –  <640

Excellent  Very Good  Good  Fair  Poor
Checklist of Initial Documents Required for Loan

Partial List

Income  
Residency Letter of Hire or Employee Contract  -  Medical School Diploma or Letter of Expected Graduation  -  Past 2 years of W-2s if applicable  -  Last 1 month of Paystubs if applicable  -  Most recent 2 years of tax returns

Assets  
Last 2 months of Bank Statements to include All pages. Name and account # must be visible  -  Provide a paper trail for all deposits over $100 confirming source of funds  -  Copy of earnest funds check  -  Bank statement showing the earnest funds check cleared OR a letter from the realtor confirming they received the check and are holding it until closing  -  Most recent retirement account statement  -  Gift Letter and accompanying paperwork

Liabilities  
List of all debt and monthly payments – Proof of accounts at zero balance

Property Information  
Fully executed, legible purchase contract with all addendums  -  Title company contact info  -  Contact info for homeowners insurance agent and flood insurance agent within one week of getting under contract  -  Condo documents

Credit Information  
Landlord contact info if renting from a company OR 12 months of cancelled rent checks if renting from a private individual  -  Driver’s license – Social security card – If you have less than three open trade lines, speak with your loan officer regarding acceptable non-traditional trade-line paperwork

Misc  
Power of Attorney if borrowers will not personally sign at closing – Letter signed and dated explaining any unique circumstances - Divorce decree or separation agreement – If you own a second home, copy of note and proof of taxes and insurance

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Preparing Your Closing Budget

**Down Payment**
(0% Physician Loan, 3.5% FHA, 5% Down Conforming)............... $__________

**Closing Costs**
(Avg. 3% of purchase price – varies by state).................. $__________

**Escrows**
(3 – 6 mos. taxes & insurance)........................................ $__________
(1 yr. homeowners insurance)........................................... $_______
(Prorated interest from closing date to month-end)..... $__________

Sub-Total $__________

Less Earnest Funds $__________

TOTAL Funds at Closing $ 0 – 5000
What If I Don’t Have Enough Saved?

• Start Saving Now
  
  Proceeds from final loan disbursement
  Graduation gifts
  Spend less

• Arrange for a Gift from Family
  
  Your loan must allow for gift funds
  Discuss with your LO as this requires proper papertrail

• Apply for a Graduation Loan
  
  No Payments for 3 years
  Must apply and get approved prior to graduation
The 3 C’s

Capacity

(What can you afford?)

Total Debt Ratio = \frac{\text{Total Monthly Debt Payments}}{\text{Monthly Gross Income}}
What If My DTI is Too High?

• Start Saving Now
  
  Proceeds from final loan disbursement  (to pay off consumer debt)
  Graduation gifts  (to pay off consumer debt)
  Spend less

• Arrange for a Gift from Family
  
  Your loan must allow for gift funds  (to pay off consumer debt)
  Discuss with your LO as this requires proper papertrail

• Apply for a Graduation Loan  (to pay off consumer debt)
  
  No Payments for 3 years
  Must apply and get approved prior to graduation
The House You Buy Depends on Your PITI

Principal + Interest + Taxes + Insurance

= PITI + HOA + PMI

House Payment

HOA = Home Owner Association Dues (Condo)
PMI = Private Mortgage Insurance
The House You Buy
Depends on your DTI & PITI

$180,000 Purchase Price (assumes 5/1 ARM @ 3.50%)

P&I = $808
Taxes = $200
Insurance (Home Owners) = $100

Total PITI = $1,108
## The House You Buy Depends on your DTI & PITI

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Interest Rate</th>
<th>Down Payment</th>
<th>P&amp;I</th>
<th>Taxes</th>
<th>Insurance</th>
<th>PMI</th>
<th>PITI</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Year ARM at 3.50%</td>
<td></td>
<td>0% Down PhysicianLoan</td>
<td>$808</td>
<td>$200</td>
<td>$100</td>
<td>$140</td>
<td>$1,108</td>
</tr>
<tr>
<td>30 Year Fixed at 3.50%</td>
<td></td>
<td>20% Down Conforming</td>
<td>$646</td>
<td>$200</td>
<td>$100</td>
<td></td>
<td>$946</td>
</tr>
<tr>
<td>30 Yr Fixed at 3.50%</td>
<td></td>
<td>5% Down Conforming</td>
<td>$767</td>
<td>$200</td>
<td>$100</td>
<td>$140</td>
<td>$1,207</td>
</tr>
</tbody>
</table>

*Source: physicianloans.com*
The 3 C’s

Collateral

Reasons to Buy
1. Rent = House Payment
2. Prices Stable or Appreciating
3. > 3 Year Stay

Reasons to Hold Off
1. Don’t Qualify
2. < 3 Year Stay
3. Values Depreciating
The Buy vs. Rent Decision

The Five Seven Decision Factors:

- Match City
- Lifestyle
- Tax Deduction
- Timeline/Length of Residency
- Reserves
- Appreciation
- Risk Tolerance

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Another Example…

Benefits of a $220,000 House Held for 4 Years:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
<th>Monthly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent Payments</td>
<td>$52,800</td>
<td>$1,100/mo.</td>
</tr>
<tr>
<td>PITI</td>
<td>$65,396</td>
<td>$1,362/mo</td>
</tr>
<tr>
<td>Equity</td>
<td>-$18,867</td>
<td></td>
</tr>
<tr>
<td>Tax Advantage</td>
<td>-$7,383</td>
<td></td>
</tr>
<tr>
<td>Appreciation (at 1%)</td>
<td>-$8,799</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$30,347</strong></td>
<td></td>
</tr>
</tbody>
</table>

Difference of $22,453 (Or $467/mo.)
Tips to Avoid Hassle and Extra Fees

Avoid companies that market to physicians but do not have a Physician Loan. Read website carefully for clues.

Do not open or close any credit accounts before checking with your loan officer.

Do not pay a credit repair company to repair your credit.

Avoid loan officers/companies that charge for Bi-Weekly Payments.

Avoid companies that promise you can be debt free in a few years with no change in income or spending.

Avoid Consumer Credit Counseling – It is viewed as a Bankruptcy.

Avoid major purchases prior to buying a home.

Save all life documentation starting now.
Email or Call with Any Questions!

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