

Just For Fun!

The Home Smart Benefit Program!



Who We Are:

The purpose of the Home Smart Benefit Program is to inform, educate and assist home buyers and home owners in making wise choices for the financial health of their families.

What makes a loan enjoyable is when you fully believe this is the right loan for you, that you paid the right amount for it, the monthly payments are affordable and therefore, comfortable, and the process was smooth and easy.

Home Smart Benefit

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YOUR MORTGAGE ADVOCATE!

Many clients don't know who to turn to when they decide to purchase a home or refinance their home loan. Sometimes they just need someone to give them numbers and alternatives so they can make the right decision. The Home Smart Program offers clients objective, honest answers to all their questions. In this way, we see our role as an advocate on behalf of our clients. Navigating the real estate and loan process by oneself or with the help of someone you don't know or trust can be stressful and costly! We empower you to make the right decision for your home!

OBTAINING A HOME LOAN—AS EASY AS ORDERING COFFEE?

If obtaining a home loan were as simple as ordering your favorite upscale coffee drink, we might all be better off. Most consumers have the numerous coffee options down to a rap verse! Home loans are similar to a coffee order as they offer a multitude of options. Could we learn to order a mortgage in the same way we order coffee? I'll take a 5/1, interest only, stated income loan please with a 65% LTV and hold the points!

Obviously the similarity ends with the humor - as obtaining a home loan is something we do on the average two or three times in a lifetime versus ordering coffee two or three times in a week. However, understanding that the loan process offers various choices and considerations can lead us to valuable insight into the variables.

Interestingly enough, the various loan choices exist because lenders don't want to turn anyone away! There is, for the most part, a loan available for every financial situation. Sorting through the choices may be easier if we categorize them into six general areas. The following is a brief definition of each category.

What Kind of Drink? (What is Your Credit Score?)

Your credit score plays an integral role in all of the other variables.

Your Favorite Coffee – A credit score of 700 or above. Advantage: Generally allows you access to the best loan programs and rates.

House Specials – A credit score between 620 – 699. Advantage: Limits you from some loan programs, but still plenty of good loans and rates available to you.

Iced Tea – A credit score between 525 – 619. Expect lower loan amounts in relation to the home value, higher interest rates, shorter loan terms and prepayment penalties.

Regular or Decaf? (Do You Want A Fixed Rate or an Adjustable Rate Loan)

Caffeine Option - Fixed loans offer terms of 15, 20 or 30 years which means at the end of that time period, the loan will be paid in full. Advantage: Locking in a low rate for a long term can offer some, greater peace of mind.

Regular or Decaf (continued)

Decaf Option - Adjustable loans offer an initial period of time where the interest rate is fixed, after which it adjusts. The initial fixed time period varies from 1 month, 6 months, 1 year, 2 years, 3 years, 5 years, 7 years or 10 years. These loans will generally adjust to a much higher interest when the fixed period ends which is why most people either refinance or sell at that time. Advantage: You can obtain a lower interest rate when you match the fixed number of years to the amount of time you plan to keep the loan.

Do You Want Sweeteners? (How Much Will You Pay Per Month?)

Sugar - Fully amortized payments over the term of your loan include a monthly payment of both interest and principle. Advantage: your loan balance reduces every month.

Sweet and low - Monthly “interest only” payments will cover the cost of only the interest for the loan. Advantage: this strategy can make your monthly mortgage affordable.

Regular Milk or Nonfat? (How Will You Submit the Loan Package?)

Regular - Full Documentation offers the lender a complete loan package. The lender requires verification of your income and assets. Advantage: a full doc package represents the least amount of risk for a lender and therefore generally nets you the best interest rate for your loan.

Lowfat - A Stated Income package allows the consumer to state what their income is but is not verified by the lender. Advantage: a great strategy for the self-employed and those whose income fluctuates month to month.

Nonfat - No Documentation loans, believe it or not, do not require income or assets. They are generally secured on the basis of the property itself. Advantage: Standard lender guidelines for employment and income is strict and consumers don't always fit “into the box.” This is an example of generous lending guidelines, however you can expect to pay a higher interest rate and/or a shorter loan term.

What Size? (How Large a Loan Do You Want in Relation To the Value of Your Home?)

Large – Financing 100% of the cost of a home is popular, especially in California. Advantage: These programs have created an opportunity for numerous first-time homebuyers.

Medium – Obtaining a loan worth 70 to 80% of the value of the home, eliminates the need for a second mortgage. Many consumers, having purchased at 100% financing, wait one to three years for the value of their home to increase at least 20% and then refinance into one loan. Advantage: One loan is less expensive than two.

Small – When your loan amount falls under 60 to 65% of the value of your home, you are eligible for additional interest rate reductions. Advantage: lenders interpret a low loan-to-value as much less risk and are willing to offer rewards in the form of a better interest rate.

For Here, or To Go? (How Will You Pay For the Loan?)

For Here - the customer pays cash in the form of points which buys the interest rate down. Advantage: sometimes it makes sense to pay down the rate especially if you plan to be in the loan for any length of time.

To Go - the cost of the loan is built into the interest rate so the Broker or Bank is paid by the lender at the time the loan is funded. Advantage: the majority of loans are paid in this manner because there is no out of pocket cost for the loan.

A Little of Both - There are also instances where a portion of the loan cost is built into the rate and another portion is paid in cash or points. Either way, consumers should expect to pay on the average 1.5% of the loan amount for obtaining a home loan. Any banker or broker charging more than 2% is over charging for the loan.

Enjoy! (Enjoy!)

What makes a loan enjoyable is when you fully believe this is the right loan for you, that you paid the right amount for it, the monthly payments are affordable given your scenario, and the process was smooth and easy. So the next time you order that, grande, sugar-free, nonfat, extra hot, light foam, caramel macchiato something, remember, obtaining a home loan can be this enjoyable too!

If you have any questions about your home loan financial scenario or would like a free market analysis with no obligation, Call the Home Smart Benefit Program at (925) 989-5302.