

5% Down Conventional Mortgage in Arizona

Reminder that many of the major mortgage insurance companies removed their declining/distressed guideline for Maricopa County which means borrowers can obtain low down conventional mortgage once again! Instead of continued tightening, this move was promising as it shows the mortgage insurance companies believe our Arizona market has stabilized. The FHA Loan had a recent increase in monthly mortgage premium, conventional mortgage PMI costs and the FHA Loan monthly MIP costs are now in line with each other.

Keep in mind the mortgage insurance companies have their own set of guidelines which means Arizona mortgage lenders need to be sure to check both sets of guidelines during the prequalification stage. There could be a situation where the loan program allows for something that the mortgage insurance company doesn't.

Example of a few mortgage insurance guidelines:

- With a 720+ fico, debt to income ratio maximum is 45%
- With a 680 - 719 fico, debt to income ratio maximum is 41%
- 2 months reserves is required
- Minimum 5% investment from the borrowers own funds
- Investment properties are not eligible

Here's quick summary of the down payment and respective credit score requirements:

- 5% down payment on single family residences AND warrantable condo's with a minimum 680 fico.
- 10% down payment on a 2nd home, single family residence purchase with a minimum 720 fico.
- 2-Unit properties with a 10% down payment and a minimum 680 fico.
- Rate and term refinances to 95% LTV with 680 fico score and cash-out refinances to 85% with 700 fico score.

A FHA Loan is still a great option for Arizona buyers, but there are times when a conventional mortgage is needed or preferred. Remember, FHA loans require a borrower to be into the loan for a minimum of 5 years before the monthly mortgage insurance can be removed. **And** the loan to value ratio of the mortgage would need to be at 78% of the *initial* sales price or appraised value at the time the loan was initiated. A FHA Loan does not use current Arizona market value to remove mortgage insurance!

Call or e-mail me anytime with questions you have.

Have a great weekend ~

Kelly

Quote of the Week: Your vision will become clear only when you look into your heart. Who looks outside, dreams. Who looks inside, awakens. ~ Carl Jung



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