MORTGAGE BY FOX

FOR HOMEBUYERS AND PROPERTY INVESTORS

The Buyer Mortgage Guide

Understand the mortgage process and the major paths to financing a home or income property.

PREPARED BY TIMOTHY J. FOX

Mortgage Loan Originator | NMLS #2017742

The purpose of this guide

A mortgage decision should begin with the borrower's complete situation, not with an advertised rate or a program name. Income, credit, assets, debts, property type, occupancy, reserves and long-term plans can all change which options are available and which option is sensible.

THE CENTRAL MESSAGE

Use this guide to prepare questions and understand the major program families. Then contact Tim Fox or the mortgage professional of your choice for an individualized review. This guide is not a loan approval, commitment, rate quote or promise of eligibility.

The mortgage road map

Stage	What happens	Buyer focus
1. Prepare	Review finances, goals and documents.	Know your budget, protect reserves and identify your lender and real estate attorney.
2. Preapproval	A lender reviews information and may issue a conditional preapproval.	Understand assumptions and expiration.
3. Shop	Search within both property and financing limits.	Watch taxes, insurance, condition and occupancy.
4. Offer	Negotiate price, contingencies and timing.	Keep lender and attorney informed and understand what you are signing.
5. Apply	Submit the property and complete the formal application.	Review the Loan Estimate.
6. Underwrite	Lender verifies borrower, property, title and conditions.	Respond quickly and avoid new debt.
7. Close	Review final terms and sign closing documents.	Compare the Closing Disclosure with expectations.

1 Prepare before shopping

The goal is not simply to find the maximum loan amount. The goal is to understand a sustainable purchase range that leaves room for closing costs, repairs, maintenance and normal life after closing.

Financial preparation checklist

- Review credit reports and dispute genuine errors well before contract deadlines.
- List all recurring debts, including obligations that may not appear clearly on a credit report.
- Document income sources and identify any recent employment or business changes.
- Separate down-payment funds, closing funds and post-closing emergency reserves.
- Estimate property taxes, homeowners insurance, flood insurance where applicable, association charges and maintenance.
- Avoid opening new credit, moving large sums without records or changing employment without discussing the effect with the lender.
- For self-employed borrowers, organize business and personal bank statements, tax returns and year-to-date financial information.

Common documentation

- Government identification
- Recent pay statements and W-2 forms where applicable
- Federal tax returns when required
- Personal and business bank statements
- Retirement and investment account statements
- Documentation for gifts, grants or sale proceeds
- Housing history and landlord information
- Explanations and supporting records for unusual deposits or credit events

2 Understand prequalification and preapproval

A prequalification may be based on limited or unverified information. A preapproval generally involves a more substantial review, but it is still conditional. Final approval usually depends on updated borrower information, an acceptable property, title, appraisal and satisfaction of underwriting conditions.

ASK WHAT WAS REVIEWED

A useful preapproval conversation should identify the income, assets, debts, credit assumptions, property type, occupancy and estimated taxes used. Ask what could cause the approved amount or payment estimate to change.

Your real estate attorney and the home purchase

Your lender and your real estate attorney have different responsibilities. Your mortgage professional evaluates and arranges the financing. Your attorney represents your legal interests in the purchase. This distinction becomes especially important after you find a property and begin making commitments to the seller.

New York buyers

Attorneys commonly play a central role in New York residential transactions. In downstate practice, after the buyer and seller agree on basic terms, the seller's attorney commonly prepares the proposed contract and the buyer's attorney reviews it, discusses the terms with the buyer and may negotiate changes before the buyer becomes contractually committed. Practices can vary by location.

The buyer's attorney may address the purchase price and deposit, financing contingency, inspection provisions, included or excluded property, closing arrangements, title and lien issues, disclosures, survey matters, possession and remedies if either party cannot perform.

Do not assume that an accepted offer means the legal portion of the purchase is complete. Consider selecting a real estate attorney before you begin making serious offers so counsel is available when you find the right property.

New Jersey buyers

New Jersey follows a different process. When a licensed real estate broker or salesperson prepares a residential sales contract under the state regulation, the contract includes a three-business-day attorney-review provision. During that period, the buyer or seller may have an attorney review the agreement.

When purchasing an FSBO property, however, there may be no real estate licensee preparing a standard broker contract. Ask a New Jersey real estate attorney how the agreement should be prepared and reviewed for that particular transaction rather than assuming the broker-contract attorney-review process applies automatically.

Your attorney and mortgage professional need to work together

Legal and financing issues frequently overlap even though the attorney and mortgage professional perform different jobs. The contract may establish the deposit, financing amount, mortgage-commitment deadline, rights if financing cannot be obtained, expected closing date, seller credits and other requirements affecting the property.

Your lender needs to know about these terms because the mortgage must be completed within the contractual framework of the purchase. Your attorney should also know about financing developments that could affect a contractual deadline. Keep both professionals informed.

Title and closing

Your attorney may assist with title matters, closing documents and legal issues discovered before closing. The lender also has an interest in the property because the home secures the mortgage, but the lender's requirements do not replace legal representation of your interests. An attorney representing the seller, lender or another party is not automatically your attorney.

Before you make an offer

- Mortgage professional and documented preapproval
- Real estate attorney familiar with the area in which you are buying
- Funds available for the deposit and expected closing expenses
- Home inspector or a plan for selecting one promptly
- Appropriate professionals for property-specific issues that may arise

Ask your attorney what you should and should not sign before legal review and how quickly the attorney needs to receive documents once you make an offer.

One team, different responsibilities

- Mortgage professional: Helps determine how you can finance the property.
- Real estate attorney: Protects your legal interests in the transaction.
- Home inspector: Evaluates the property’s condition within the scope of the inspection.
- Title professionals: Research and insure interests in the property’s title as applicable.
- Buyer: Makes the final decisions and keeps the professionals informed.

3 Understand the complete cost

The interest rate is only one part of the decision. Buyers should understand the total monthly housing expense, cash to close and the funds remaining after closing.

Monthly housing expense may include

- Principal and interest
- Property taxes
- Homeowners insurance
- Flood insurance where required or advisable
- Mortgage insurance or a program guarantee charge
- Homeowners association or condominium charges
- Other property-specific obligations

Cash to close may include

- Down payment
- Lender and settlement charges
- Attorney and title-related expenses
- Prepaid interest

- Initial tax and insurance escrow deposits
- Inspection and appraisal expenses
- Required reserves
- Immediate repairs, moving and utility deposits

After application, the Loan Estimate provides important loan terms and estimated costs. Buyers should compare Loan Estimates based on the same loan scenario. Before closing, the Closing Disclosure provides final loan terms and costs and is generally due at least three business days before the scheduled closing. Review it promptly and ask about unexpected changes.

4 From accepted offer to closing

1. Notify the lender and provide the signed contract and property information.
2. Complete the formal application and authorize required verifications.
3. Review the Loan Estimate, rate-lock terms and estimated cash to close.
4. Provide requested documentation promptly and completely.
5. Coordinate inspections separately from the lender's appraisal.
6. Allow the lender to review the appraisal, title, insurance and property eligibility.
7. Satisfy underwriting conditions and document any financial changes.
8. Avoid new debts, large undocumented deposits and major account changes.
9. Review the Closing Disclosure and confirm the final funds-transfer process through a trusted contact.
10. Complete the final walkthrough, closing and post-closing recordkeeping.

WIRE-FRAUD PROTECTION

Do not rely on unexpected emailed wiring instructions. Independently verify instructions using a trusted telephone number for the attorney, title company or settlement agent before sending funds.

Major mortgage program families

Program names are starting points, not recommendations. The same borrower may qualify for several programs, and the lowest initial payment is not always the lowest total cost or best long-term fit.

Program family	Often considered when	Questions to examine
Conventional	The borrower and property fit agency or lender guidelines.	Down payment, PMI, reserves, occupancy and property type
FHA	Flexible credit or down-payment features may help.	Mortgage insurance, property standards and occupancy
VA	An eligible Veteran, service member	Eligibility, entitlement, funding fee

Program family	Often considered when	Questions to examine
	or surviving spouse will occupy the home.	and property requirements
USDA	The buyer and property may meet rural-area and household-income rules.	Address eligibility, household income and guarantee charges
SONYMA or NJHMFA	The buyer may benefit from state-supported mortgage or assistance programs.	Income, price, location, counseling and repayment terms
Jumbo	The loan exceeds applicable conforming limits or needs a portfolio solution.	Reserves, credit, documentation and lender differences
Renovation	The purchase and eligible improvements may be financed together.	Contractors, scope, appraisal, escrow and timeline
Non-QM	Traditional documentation does not fully describe ability to repay.	Documentation method, pricing, reserves and exit strategy
DSCR	An investment property is evaluated substantially through rental cash flow.	Rent, expenses, ratio, reserves and prepayment terms

Conventional mortgages

Conventional mortgages are not insured or guaranteed by FHA, VA or USDA. Many conforming conventional loans follow Fannie Mae or Freddie Mac standards, while other conventional loans may be held in a lender’s portfolio.

Potential advantages

- Broad availability for eligible primary residences, second homes and investment properties
- Multiple down-payment structures
- Fixed-rate and adjustable-rate options
- Private mortgage insurance may be cancellable when legal and servicing requirements are met

Questions to examine

- Credit and reserve requirements
- How PMI is priced and paid
- Property-type adjustments
- Condominium or cooperative eligibility
- Loan-level pricing and whether points or lender credits are involved

FHA mortgages

FHA mortgages are made by approved private lenders and insured by the Federal Housing Administration. FHA may help some borrowers through flexible down-payment and credit features, but mortgage insurance and property standards must be considered.

- Generally intended for an eligible primary residence
- Available for eligible one-to-four-unit properties when occupancy rules are met
- Includes upfront and ongoing mortgage-insurance costs
- Requires the property and transaction to meet FHA standards
- Should be compared with conventional options when both are available

VA mortgages

VA-guaranteed loans can help eligible Veterans, service members and certain surviving spouses purchase a home for personal occupancy. The benefit may permit financing without a down payment in eligible transactions, but qualification, entitlement, property value and lender underwriting still apply.

- Confirm eligibility and obtain or update the Certificate of Eligibility
- Review entitlement and any effect of existing VA loans
- Determine whether the funding fee applies or an exemption is available
- Understand the VA appraisal, minimum property requirements and escape clause
- Compare total cost and seller-paid items with other available programs

USDA mortgages

USDA Rural Development offers programs for eligible buyers and properties in qualifying areas. The guaranteed program is offered through approved lenders and may allow no down payment for qualified households. Property location, household income and occupancy requirements are central to eligibility.

- Check the property address rather than assuming an area is eligible
- Review household-income rules, not only the income of borrowers on the note
- Confirm primary-residence and property requirements
- Include guarantee charges and required escrows in the comparison
- Allow time for any USDA-specific review required in the transaction

SONYMA and NJHMFA

New York and New Jersey offer state-supported programs through participating lenders. These may combine a mortgage with down-payment or closing-cost assistance, but eligibility can depend on income, purchase price, location, first-time-buyer status, counseling and other program rules.

New York

The State of New York Mortgage Agency offers mortgage and assistance options for qualified buyers. Program features and limits should be checked directly with SONYMA and a participating lender at the time of application.

New Jersey

The New Jersey Housing and Mortgage Finance Agency offers mortgage and down-payment-assistance options through participating lenders. Assistance may have forgiveness, repayment, occupancy or resale conditions that should be understood before closing.

ASSISTANCE IS NOT AUTOMATICALLY FREE MONEY

Ask whether assistance is a grant, forgivable loan, deferred loan or repayable second mortgage. Confirm what happens after a sale, refinance, move, transfer or early payoff.

Jumbo mortgages

A jumbo mortgage generally falls outside applicable conforming loan limits or agency delivery requirements. Guidelines vary substantially among lenders. Buyers may encounter stronger reserve expectations, detailed income review, property restrictions or additional appraisal requirements.

- Compare more than one lender’s guidelines
- Ask how many months of reserves are required
- Discuss bonus, commission, business and asset income early
- Confirm condominium, cooperative and unique-property rules
- Plan for documentation and appraisal timing

Renovation financing

Renovation mortgages can combine acquisition and eligible improvement costs in one financing structure. They can expand the range of properties a buyer considers, but the scope, contractor, appraisal, escrow and draw process make the transaction more complex.

Major examples

- FHA 203(k), which combines eligible purchase or refinance financing with rehabilitation funds
- Fannie Mae HomeStyle Renovation, a conventional option for eligible repairs and improvements
- Obtain realistic contractor proposals early

- Confirm which work is eligible before contract deadlines
- Understand contingency reserves and draw administration
- Allow additional time for review and completion requirements
- Do not assume the borrower receives renovation funds directly at closing

Adjustable-rate mortgages

An adjustable-rate mortgage has an interest rate that may change after an initial period. Buyers should understand the initial fixed period, index, margin, adjustment schedule and caps. The decision should be evaluated using the potential future payment, not only the starting payment.

- When can the first adjustment occur?
- How often can the rate adjust afterward?
- What are the initial, periodic and lifetime caps?
- Which index and margin determine later rates?
- Can the borrower afford the payment if the rate reaches the maximum permitted level?
- How long does the buyer realistically expect to keep the loan or property?

Non-QM mortgages

Non-QM means the loan is not structured as a Qualified Mortgage under the applicable federal definition. It does not mean that repayment ability is ignored. Most lenders still must make a reasonable, good-faith ability-to-repay determination, but a Non-QM lender may use documentation or underwriting methods that differ from traditional agency programs.

Borrowers who may explore Non-QM

- Self-employed borrowers whose tax returns do not fully reflect current cash flow
- Borrowers qualifying through eligible bank-statement deposits or business cash flow
- Borrowers using eligible assets as a source of qualifying income
- Investors using property cash flow through a DSCR program
- Borrowers with recent credit events who have re-established financial stability
- Foreign nationals or borrowers with nontraditional documentation where programs are available

Important tradeoffs

- Pricing and fees may be higher than agency financing
- Down-payment and reserve requirements may be greater
- Prepayment provisions may apply to eligible business-purpose or investment loans
- Documentation methods and calculations vary by lender
- Refinancing later is not guaranteed
- The borrower should understand the long-term plan, not merely how to qualify today

DSCR financing for investment property

A debt-service-coverage-ratio loan evaluates an investment property substantially through its qualifying rental income relative to required debt service. The exact formula, acceptable rent evidence and treatment of taxes, insurance, association charges and other expenses vary by lender.

- Ask which components are included in the monthly debt-service calculation
- Confirm whether market rent, current leases or both may be used
- Understand the minimum ratio and how a ratio below 1.00 is treated
- Review reserve, credit, entity and experience requirements
- Ask about prepayment provisions and balloon features
- Stress-test vacancies, repairs, management and capital expenses that may not be captured fully by the underwriting ratio

How to compare mortgage options

A useful comparison holds the purchase price, property, occupancy and lock period constant, then examines both immediate and long-term consequences.

Comparison point	What to ask
Monthly payment	What is included, and what can change?
Cash to close	How much is down payment, cost, prepaid expense and reserve?
Mortgage insurance or fee	How is it paid, how long may it remain and can it be removed?
Rate structure	Is it fixed or adjustable? What are the caps and adjustment rules?
Points and credits	Am I paying more upfront for a lower rate, or accepting a higher rate for a credit?
Program restrictions	What occupancy, property, income or resale rules apply?
Documentation	What must be verified before approval and again before closing?
Long-term plan	How does the loan fit my expected time in the property and future goals?

NO DAILY RATE TABLE

Rates and pricing can change throughout the day and vary by borrower, property, occupancy, loan structure and lock period. This guide intentionally does not quote daily rates. Request a current, individualized comparison from Tim Fox or the lender of your choice.

Questions to ask any mortgage professional

- Which programs did you compare for my situation, and why?
- What assumptions are included in my estimated payment and cash to close?
- Is the quoted rate locked? If so, until when and under what conditions?
- Are points, lender credits or broker compensation affecting the pricing?
- What documentation remains outstanding?
- What could cause the approval, payment or cash requirement to change?
- Are there prepayment provisions, recapture rules or assistance repayment conditions?
- What is the expected timeline, and what must happen before each contract deadline?

Buyer action checklist

- Define an affordable monthly range
- Separate closing funds from emergency reserves
- Organize income, asset and credit documents
- Choose a lender and obtain a documented preapproval
- Select a real estate attorney before making serious offers
- Confirm property type and occupancy before offering
- Review the Loan Estimate and compare alternatives
- Complete inspections and attorney review
- Respond promptly to underwriting requests
- Avoid new debt or unexplained transfers
- Review the Closing Disclosure and verify funds-transfer instructions

CONTACT AND CHOICE

Tim Fox can help buyers review potential mortgage paths in New York and New Jersey. Buyers are always free to contact Tim or the mortgage lender of their choice to determine which programs may fit their individual circumstances.

Official sources and further reading

These links support the first-release draft. Program rules and state requirements can change, so pages should be reviewed before publication and dated when updated.

- CFPB Loan Estimate explainer
- CFPB Closing Disclosure explainer
- CFPB Ability-to-Repay and Qualified Mortgage rule

- HUD FHA loans
- VA Home Loan program
- USDA Single Family Housing Guaranteed Loan Program
- SONYMA programs
- NJHMFA homebuyer programs
- HUD FHA 203(k) program
- Fannie Mae HomeStyle Renovation
- CFPB adjustable-rate mortgage guide
- CFPB private mortgage insurance overview
- New York Department of State legal memorandum on real estate licensees and the unauthorized practice of law
- New Jersey attorney-review regulation (N.J.A.C. 11:5-6.2)