



# UNDERSTANDING HOME FINANCING



Here to keep you informed at every step.





HERE TO HELP  
**YOU HOME.**

At Penrith, we understand the importance of being an informed homebuyer. Our goal is to provide you with the tools and resources you need to make the best home buying decisions for you and your family.

From first-timers to empty-nesters, we're here to guide you through the home loan process, keeping you informed every step of the way. We're here to help you home with a collaborative approach and a variety of financing programs. Our top priority is to develop a home financing solution that's tailored to you. This means finding the loan program, payment and terms that meet your needs.



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# THE COST OF FINANCING

Taking out a mortgage is the most popular avenue into homeownership. With the variety of loan programs offered, we've been able to help thousands of homebuyers achieve their dreams.

At Penrith, we understand the importance of being a knowledgeable homebuyer as you enter into your mortgage journey. That's why we're here to help inform you of all the costs associated with a mortgage, so you're always confident in your next step, and there are never any surprises.



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# THE LOW DOWN ON DOWN PAYMENTS



A common misconception with home financing is that buyers are required to come with a 20% down payment requirement; this means as a borrower, you'd pay 20% of the purchase price now, and take out a mortgage on the rest of the home's cost. However, a 20% down payment is not your only avenue to homeownership. There are many mortgage programs that require less of a down payment, from 15% to 3.5%. Some loan programs even have no down payment at all.

Larger down payments allow you to have a smaller monthly mortgage payment, as you are borrowing less. Additionally, you can avoid an additional mortgage insurance payment. On the other hand, smaller down payments come with benefits as well, the overall being your ability to enter into homeownership sooner. While a lower down payment may cost more in terms of your monthly mortgage\*, it's important to keep in mind the equity that you'll be building at the same time. Some prospective buyers may consider renting while saving up for a down payment; however, consider the equity you could build by putting that money towards your mortgage instead.

*\*In addition to your mortgage payment, many programs will require you to purchase mortgage insurance when putting down less than 20%.*



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## FIXED VS. ARM: WHICH SHOULD YOU CHOOSE?

Most loan programs come with options to choose a fixed-rate or adjustable-rate term. While many homebuyers choose to travel the fixed-rate route, it's important to evaluate your individual situation and choose the loan that works best for your goals.

### **FIXED-RATE MORTGAGES**

When opting for a fixed-rate loan, you are choosing to lock in that interest rate for the life of the loan. This means you could potentially go 30 years paying interest at the same rate. This is beneficial for instances where the market shifts and interest rates rise, giving you peace of mind that your monthly payment will remain consistent. Regardless of where the market is at any given day, your interest rate will stay the same until you make changes to your mortgage, such as a refinance.

### **ADJUSTABLE-RATE MORTGAGES**

Commonly referred to as ARMs, adjustable-rate mortgages change with the market after a certain number of years. After an initial fixed period, your mortgage interest rate will change based on the market. If market rates increase, your mortgage interest rate will reflect this, causing your monthly payments to increase as well. Conversely, if market rates decrease, so will your mortgage interest rate, saving you money over the next year. In general, ARMs are ideal for buyers looking to stay a short time in a home before listing it again. This can include first-timers looking for a starter home, or investors looking to flip.



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# WHAT IS MORTGAGE INSURANCE?



If you're entering into homeownership without a 20% down payment be sure to factor in mortgage insurance.

Depending on the financing program, you may be required to purchase an additional form of insurance called "mortgage insurance." Typically, this will be paid alongside your mortgage to reduce the risk to lenders should you default on a loan. It's good to keep in mind that this insurance is not permanent—with 20% equity in your home, you can work with your Mortgage Consultant to remove these additional payments.



Having a 20% down payment is often a huge obstacle to overcome in the journey to homeownership. However, it doesn't need to stop you! Homeownership is possible even without a large down payment, meaning you can start building equity sooner than you would trying to save.



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# LOAN PRODUCT OPTIONS

We understand there is no one-size-fits-all solution to purchasing or refinancing a home. This is why we offer a wide array of products and are committed to working with you to find the right program for your particular situation and goals. Obtaining a mortgage is one of the largest financial decisions most of our clients ever make, and we're here to provide education and reassurance.



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## CONVENTIONAL LOANS

### **Conventional loans provide value and flexibility to qualified borrowers.**

Conventional home loans are popular among many homebuyers due to the lower interest rates and flexible loan terms they offer. If you have a higher credit score and not a lot of debt, a conventional loan may be the one for you. With conventional loans, a 20% down payment is common. However, another benefit of this program is the flexibility that comes with how much you're required to put down. While going in with 20% down can help you build equity faster and avoid an additional mortgage insurance payment, conventional loans also offer down payment options as low as 3%, allowing you to get into your dream home sooner.

If you're looking to finance a property that may be restricted when utilizing government

loans, a conventional mortgage could be the right option. Refinancing into a conventional loan is also a good solution for borrowers who would like to remove their current mortgage insurance and lower their monthly payments.

### **Product Features**

- ✓ Lowest fixed rates for eligible borrowers available in terms of 10, 15, 20 and 30 year loans
- ✓ Adjustable-rate mortgages (ARMs) offered in 3/1, 5/1, 7/1 and 10/1 year terms
- ✓ May be utilized for properties commonly restricted by government loans
- ✓ Conventional loans require less documentation, so you may close faster
- ✓ Multiple down payment options starting at 3% down for qualified borrowers



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## FHA LOANS

### **FHA loans offer flexible underwriting guidelines, which provide multiple paths to qualify.**

While FHA loans are a beneficial financing option for many homebuyers, this type of loan is typically suited for first-time buyers, borrowers with lower credit scores and/or borrowers with modest down payment funds. You can also benefit from this loan program if you have a higher debt-to-income ratio (think student loans, car loans, etc.) that impacts your credit score.

Backed by the Federal Housing Administration, FHA loans are one type of government loan intended to assist (more) homebuyers in qualifying for a mortgage. Down payments can be as low as 3.5% with a requirement to secure mortgage insurance. Additionally, FHA loans provide (more) flexible qualifying

criteria, such as lower credit and income requirements. This can be ideal for first-time buyers or those with low-to-moderate incomes. With flexible qualifying criteria, FHA loans help many borrowers reach their dream of homeownership.

### **Product Features**

- ✓ Fixed rate and adjustable-rate (ARMs) loan options available
- ✓ Down payment options as low as 3.5%
- ✓ Gift funds may be used
- ✓ Refinance loan programs offered



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## VETERAN (VA) LOANS

### **VA loans provide significant buying power for eligible veterans.**

Backed by the U.S. Department of Veteran Affairs, VA loans are tailored to the needs of veterans and their families. With no down payment or mortgage insurance requirements on standard loans, VA loans offer affordable financing options to veterans, active duty military, reservists, National Guard and surviving military spouses.

On typical loan programs, a down payment of less than 20% will require the purchase of mortgage insurance. However, VA loans waive this requirement, keeping monthly payments lower for veterans. Combined with flexible qualifying requirements, lower rates, and lower credit score requirements, a VA loan is a promising option for our nation's servicemembers.

At Penrith, we're dedicated to serving our community's veterans by streamlining the eligibility, documentation and financing process.

### **Product Features**

- ✓ No down payment requirements on standard VA loans
- ✓ Affordable down payment options on VA Jumbo, compared to conventional Jumbo loans
- ✓ Mortgage insurance not required
- ✓ Closing costs can be lowered with seller contributions
- ✓ VA refinance options available



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# USDA LOANS

## **USDA loans offer an affordable financing option for eligible rural properties.**

If you are interested in purchasing a home outside of large cities and in designated rural areas, USDA loans could be your best option. USDA loans are a type of government loan backed by the U.S. Department of Agriculture. This loan program provides favorable home financing opportunities for eligible borrowers in certain rural areas who meet specific income requirements. USDA loans offer flexible qualifying criteria and options for covering down payment and closing costs making it an excellent solution for many borrowers considering rural properties.

Homes eligible for USDA financing are typically found in rural areas, but you may be surprised to learn these designated areas are extensive.

## **Product Features**

- ✓ Lower mortgage rates than most conventional products
- ✓ No down payment required\* and closing costs can be rolled into the loan
- ✓ Specialized loans based on geographic location
- ✓ Mortgage insurance is not necessary

*\*Some restrictions apply*



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# JUMBO LOANS

## **Jumbo loans provide financing solutions for luxury properties and high-cost areas.**

If you live in a high-priced housing market or are considering the purchase of a luxury property, a jumbo loan may be the answer. Jumbo loans permit homebuyers to borrow more than conventional and government loans allow. This gives well-qualified borrowers greater buying power in high-cost areas. While some cities have higher loan limits than others, jumbo loans help you avoid restrictions altogether so you can focus on buying a home that suits you and your family's needs.

Jumbo loans are typically suited for borrowers who possess strong credit scores and healthy assets looking to buy or refinance a high-priced property. Work with your local Mortgage Consultant to learn about loan limits as they affect the areas you're interested in.

## **Product Features**

- ✓ Competitive rates and flexible down payment options for qualified borrowers
- ✓ Higher loan limits than those allowed by conventional conforming and government loans
- ✓ Fixed and adjustable-rate mortgages (ARMs) loan options available
- ✓ Programs available for second homes, investment properties and refinances



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## REFINANCING OPTIONS

### **Refinancing can improve your loan terms, helping you reach your goals.**

A traditional refinance on your current mortgage may improve your loan terms and lower your monthly payment, saving you money and assisting you in paying your mortgage off sooner if you choose to do so. Additionally, a cash-out refinance allows you to tap into your home's equity, which may be a great option for consolidating debt or funding a home improvement project.

If your monthly mortgage payment could be reduced by obtaining a lower interest rate, refinancing could be a good option for you. Refinancing can also convert your adjustable-rate mortgage into a fixed rate with a secured payment throughout the life of the loan.

### **Product Features**

- ✓ Ability to lower your monthly payment with a rate refinance
- ✓ Options to refinance out of an adjustable-rate mortgage (ARMs) to secure a fixed rate
- ✓ Tap into your home's equity to finance renovations and consolidate debt



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## NON-QM LOANS

### **Loan options with alternative qualification methods.**

Non-qualified mortgages (Non-QM) empower borrowers to qualify for a loan based on alternative methods outside of the conventional documentation requirements for income verification. This is an ideal option for entrepreneurs, self-employed borrowers, and those thriving in gig economies who may not have pay stubs to submit but can still prove a reliable income.

There are a variety of loans that fall under the category of "Non-QM," meaning there are no set product features. Working with your local Penrith Mortgage Consultant will help you find the right non-QM product for your individual situation.



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WE'RE  
HERE TO  
HELP YOU  
**HOME.**

Beginning in Seattle, Washington over 20 years ago, Penrith serves neighborhoods across the western United States. We're excited to welcome you into the neighborhoods we call "home", and we'd be honored to assist you in the process.



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August 2021  
Penrith Home Loans LLC  
Equal Housing Lender  
WA-CL 713524, OR-ML 5271, ID-MBL 8657