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The Different Types of Housing Loans Available by Avril Copperfield

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Purchasing a home may be an overwhelming experience for first-time home buyers. With the wide range of loan programs and payment terms available, one can easily make hasty (and costly) decisions without thoroughly thinking through the offer. This makes sufficient research on the basics of home financing very important. With adequate knowledge on the different conditions and aspects involving home loans, one would select a financing program most suited for his needs. Below are a few examples of the various types of loans.

Loans vary according to their loan composition and the agencies that offer them. Conventional loans have fixed rate mortgages and strict requirements for applicants. Such include a down payment, favorable credit scores and income, and private mortgage insurance. This form of loan is not insured or guaranteed by the federal government.

Mortgage loan programs are also provided by government sectors such as the Federal Housing Administration (FHA). Such are known as FHA loans. These loans offer a lower down payment and are easier to apply for than most conventional loans, making them the perfect option for first-time home shoppers. These FHA loans also offer lower upfront loan costs and require a less demanding credit score.

Veterans Affairs (VA) loans are enforced by the U.S. Department of Veterans Affairs. This department does not give out loans, but, instead, approves the loan programs of qualified lenders. This enables veterans to obtain a Georgia Mortgage Loan with favorable loaning conditions, oftentimes without a down payment. These VA loans are also easier to apply for than conventional loans. Aside from these loan programs, the state and local government agencies also sponsor a number of loan programs. The aim is to boost the number of home ownerships in a certain area.

Lenders determine a Georgia Mortgage Loan fee by taking into account various factors which determine a borrower's credit worthiness. Aside from obtaining the borrower's Fair, Isaac and Company (FICO) score, lenders also determine a buyer's loan to value ratio (LTV) and debt-service coverage ratio. The LTV is the cost of equity the collateral possesses. In home purchases, the LTV is calculated by dividing the amount of money borrowed by the home's purchase price. A higher LTV indicates higher-priced loans.

The debt-service coverage ratio (DSCR) refers to a borrower's capacity to pay the mortgage costs. This is obtained through dividing a borrower's monthly net income for paying mortgage over the mortgage costs themselves. This is important to qualify for a Georgia Mortgage Loan.

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Avril Copperfield - About Author:
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