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5 easy ways to get your hands on $1 million

Adjustable rates and self-employed bank statement mortgages are among the options now trending.

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Are you thinking about buying a median-priced home?

If you don't have a cool million stashed away, then you'll need a mortgage. What exactly does that look like? And how do you qualify for the keys to your new kingdom?

First let's talk down payment.

You can get in with zero down — assuming you are a veteran or in-service military person with full eligibility.

If not, you'll need at least 3.5% down, or $35,000, for a Federal Housing Administration loan in Orange and Los Angeles counties. FHA loans aren't an option for a $1 million home in the Inland Empire because there's a lower loan limit of $562,350.

A conventional loan with 5% down, or $50,000, will make it happen for you in Orange and Los Angeles counties. Ten percent down, or $100,000, can get you in anywhere.

If you are self-employed, you may be able to use an average of your business bank statement instead of your business tax returns to qualify.

More is always better. More skin-in-the-game (larger down payments) means better mortgage rates and a lower house payment for you and yours. Home loans are risk-based.

Show me the money

In my experience more home shoppers struggle to dig-out the down payment than struggle with income qualifying.

Savings, gift funds from a family member, sale of stock market investment funds or tapping into your retirement account are the most common ways to come up with the cash.

Do you have any cash value in your life insurance policy you can tap? Maybe you can hit up your folks or grandparents for an early inheritance stipend. Or what about a prized collector car you trade for cash?

Down payment assistance programs and down payment grants also are available. But to my knowledge, those programs have loan size limits and or maximum family income limitations precluding you from qualifying in the $1 million bucket.

Always provide a clear paper trail for any large bank deposits – that is, those that are larger than a paycheck, for example. Outside of gift funds and a gift letter, you'll need to provide the most recent two months of asset statements (bank accounts, etc.).

5 ways to buy a million-dollar home

Adjustable-rate-mortgages can initially be much more affordable.

With 10% down, or a $900,000 loan amount, I found a 30-year adjustable at 3.865% with a three-quarter point cost. The rate is locked for the first five years and adjusts annually for the remaining 25 years. The total monthly payment (including property taxes, homeowners' insurance and mortgage insurance) is $5,649.

A similarly priced 30-year fixed has a rate of 5.25%. The total payment would be $6,549. That's $900 additional bucks to pay each month. A well-qualified borrower would need around $15,000 of monthly income.

With just 10% down, self-employed borrowers without qualifying tax return income can cough up their 12 most recent business bank statements. The total deposits get averaged less the business overhead to determine your monthly income.

For example, say the average deposits were $20,000 and the expense factor is 25%. Your income equals $15,000 per month. For a 30-year fixed rate at 6.5% and no mortgage insurance, the total payment is $6,930. With good credit, qualifying is no problem.

A Fannie Mae fixed with 5% down, or $50,000, is available at 5.375% with roughly three-quarter point cost. The total payment is $6,790 per month. You'd need at least $15,100 per month of income to qualify.

FHA financing with just 3.5% down ($35,000) on a 30-year fixed at 4.5% with roughly three-quarter point cost has a total payment of $7,054. You'd need about $14,000 of income to qualify. FHA allows for higher income-to-debt ratios, lower FICO credit scores and non-occupant co-signors.

Another option is an interest-only loan. With 10% down, or $100,000, you can get an $800,000 loan that's interest only for the first five years at 4.125% with a 0.625-point cost. The rate is adjustable after five years. Then, you can get a piggy-back second mortgage for the remaining $100,000 at a 4.24% monthly adjustable rate that's fully amortized – meaning the loan balance gets reduced each month.

The total payment is just $4,482. But the qualifying income is tougher at about $17,000 per month.

All these scenarios assume a property tax rate of 1.25%, or $1,041 per month, plus $200 per month in homeowners' insurance. They don't include the HOA fees, if any.

Settlement charges and any required escrow impounds could add another $5,000-$10,000 in addition to the down payment and points.

One clear benefit of owning versus renting is you can deduct some, but not necessarily all, of your property taxes from your income taxes, plus all of your interest payments for loans of up to $750,000, according to Warren Hennagin, CPA partner at Marcum LLP.

Under the 2017 SALT tax cap, property tax deductions are limited to $10,000 per year. Assuming a 1.25% property tax rate, a typical property tax bill on a $1 million home is around $12,492. So, $2,492 of that bill won't be deductible.

Mortgage interest is currently 100% deductible up to a purchase loan amount of $750,000. So, just 83.3% of a $900,000 loan would be deductible.

For unmarried co-owners of a residence, the mortgage interest debt limits apply to each taxpayer, not to the property. So, each taxpayer could deduct all the interest paid on loan amounts up to $750,000.

Freddie Mac rate news: The 30-year fixed rate averaged 5.1%, down 1 basis point from last week last. The 15-year fixed rate averaged 4.4%, up 2 basis points from last week.

The Mortgage Bankers Association reported an 8.3% decrease in mortgage application volume from the previous week.

Bottom line: Assuming a borrower gets the average 30-year fixed rate on a conforming $647,200 loan, last year's payment was an earth shattering $792 less than this week's payment of $3,514.

What I see: Locally, well-qualified borrowers can get the following fixed-rate mortgages without points: A 30-year FHA at 4.625%, a 15-year conventional at 4.5%, a 30-year conventional at 5.125%, a 15-year conventional high-balance ($647,201 to

$970,800) at 5.125%, a 30-year conventional high-balance at 5.625% and a 30-year jumbo purchase loan at 4.625 %.

Eye catcher loan of the week: A 30-year adjustable mortgage, locked for the first seven years at 3.875% with 1 point.