Home Buying Frequently Asked Questions

When should I start the process?

Start looking for homes around 90-120 days prior to your lease expiring. Then, make an appointment with a mortgage loan officer about a mortgage loan pre-approval.

What is involved in the pre-approval process?

A loan officer will analyze the contents of your credit report. They will review your income, assets, debt, and employment history. These tell a story about your ability to repay the loan.

I have a good job and good credit, but not a lot of cash for closing or a down payment, what do I do?

The seller can contribute toward your closings costs, which can be negotiated with the help of your realtor. You can also obtain gift funds (money given to the borrower from a family member).

What are my mortgage options?

Below are all types of options that fit almost any scenario. Your loan officer will walk you through them and help you pick the loan that will match your financial needs.

- Conventional
  - A conventional loan is not insured by the federal government, which makes it a higher risk for the lender, so the qualifications are stricter. For example, it may require a higher down payment or lower debt-to-income ratio.
- FHA
  - Insured by the Federal Housing Administration, down payments are generally less than that of a conventional loan.
- VA
  - Guaranteed by the Department of Veterans Affairs, often with a low or no down payment.
- Fixed vs. ARM (Adjustable Rate Mortgage)
  - A fixed mortgage rate means the borrower's mortgage rate will not change; it remains the same for the life of the loan.
  - ARM mortgage rates usually start off with the lower rates and payments at the beginning of the loan term. There is a fixed term for a set amount of time (i.e., five years), and then it is adjusted depending on the market.
  - Length of Loans (10-30 years)
  - 10 year: Good for borrowers with high income, high monthly payments that can save you money in the long run, lender usually offers a lower interest rate.
  - 15 year: Home buyers pay off their home in half the time it would take to pay off a traditional mortgage, lender usually offers a lower interest rate.
  - 30 year: Lower monthly payments, most traditional loan type.

What is mortgage insurance?

Mortgage insurance is sometimes referred to as Private Mortgage Insurance, or PMI, not to be confused with FHA and VA insurance. The borrower pays the premiums, but the lender is the beneficiary. The coverage protects the lenders against default by the borrower. If a borrower stops paying on a mortgage, the insurance company ensures that the lender will be paid in full.

What documents will I need to process my mortgage loan?

Some items depend on the borrower's situation, but be prepared to provide:

- 30 days pay stubs
- Last two years W-2's
- Retirement, Social Security or investment income: award letter, 1099, bank statements, or tax returns
- Assets: bank statements, retirement or investments statements
- Self-employed/commissioned sales: tax returns

How long does the mortgage process take?

30-45 days.

Who orders my appraisal?

The lender will order your appraisal.

Do I pay for my appraisal up-front?

Yes, the average cost is around $425.

Do you recommend a home inspection?

Yes, you never know what kind of shape the home is really in - you may uncover problems that could save you a lot of money in the long run, and it's good to know the quality and condition of the home before you make the investment.

When can I expect my first mortgage payment?

No less than 30 days and no more than 59 days after closing.

When can I lock into a mortgage interest rate?

Once the loan officer receives the signed purchase agreement.

What are points?

A point is equal to one percent of your home loan amount or $1,000 for every $100,000. Points are fees paid to the lender at closing in exchange for a reduced interest rate, which will in turn lower your monthly mortgage payment.

Can I buy points to lower my mortgage interest rate?

Yes.

What if I find my dream home before I sell my current home, what are my options?

The borrow must be able to qualify for both homes, and they must have a reserve of six months of payments for both homes.

Does a bigger down payment make a big difference in monthly payments?

If the borrower puts 20 percent down on a home with a conventional loan, it means they will not need to have mortgage insurance. We figure for every $10,000 a borrower puts down, it will decrease their monthly payment by $60- $65.

What can I qualify for?

It all depends on your credit history, job history, debt to ratio income, and assets.

What is APR vs. Interest Rate?

APR stands for Annual Percentage Rate and it reflects the effective cost of your loan on a yearly basis. It takes into account fees and costs, such as: interest, mortgage insurance, most closing costs, discount points, and origination fees. APR is an estimate and may change if there are any changes in the loan amount, loan term, or other criteria. Your monthly payment is not based on APR; it's based on the interest rate. APR gives you more information about what you are really getting by making lender fees a part of the equation. You can better see the true cost of the loan.

Interest Rate refers to the cost of borrowing money and is expressed in a percentage, paid over a specific amount of time.

How much money will I need at closing?

This depends on the sales price of the home and the amount of your down payment. You can work with your realtor to see if you can get help from the seller to pay some of the costs.

Can I roll my closing costs into my mortgage loan?

The only time you can roll your closing costs into your mortgage loan is when you are refinancing.