MORTGAGE F.A.Q.

Presented By:

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📘 Mortgage FAQs

💰 1. How much home can I afford?

We typically follow the 30/42 rule as a general guide:

Your housing costs (including mortgage, taxes, insurance) generally shouldn't exceed 30% of your gross monthly income

Your total debt payments (including car loans, student loans, credit cards) should stay below 42%

💡 Why it matters:

This helps make sure your home is a blessing, not a burden. Just because you are approved up to a certain amount doesn't mean it's the right number for you. I'll work with you to find a monthly payment that feels comfortable based on your full financial picture — not just the numbers on paper.

📊 2. What credit score do I need ?

The short answer: it depends on the loan program.

Conventional loans: Usually require at least a 620–640 score, but 720 and above is better.

FHA loans: Often allow down to 580

VA/USDA loans: Can be more flexible, depending on your situation

💡 Why it matters:

Your credit score affects both your loan eligibility and the interest rate you're offered. A higher score can save you tens of thousands over the life of the loan. The good news? I'll pull your score for free and help you improve it if needed — no judgment, just solutions.

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🏦 3. How much do I need for a down payment?

You do not need 20%!

Conventional loans: As little as 3%–5% down

FHA loans: 3.5% minimum

VA/USDA loans: 0% down (if eligible)

💡 Why it matters:
A larger down payment means a smaller loan, which can lower your monthly payment and help avoid PMI. But many buyers successfully purchase with low or no money down — and there are down payment assistance programs available. Don’t let this part overwhelm you — we’ll work through your options together.

🔒 4. What is PMI — and do I have to pay it?
Private Mortgage Insurance (PMI) is typically required when your down payment is less than 20%.

It protects the lender in case you default on the loan

Cost varies, but usually around 0.5–1.5% of your loan amount annually

💡 Why it matters:
PMI can feel like a nuisance, but it’s what allows many buyers to purchase sooner without saving 20%. The good news: you can remove it once you reach 20% equity — either through payments or rising home value.

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💳 5. What are mortgage points?

Mortgage points are optional fees you can pay at closing to lower your interest rate.

1 point = 1% of your loan amount
1 point typically reduces your rate by about 0.25%, but can vary by program.

💡 Why it matters:

Paying points upfront can save you money long-term — especially if you plan to stay in the home for many years. It's a tradeoff between upfront cost vs. monthly savings. We'll calculate whether buying points makes sense for your situation, as points can add a significant amount to the money you need to bring to the table a closing.

📂 6. What is escrow?

Escrow is an account your lender uses to collect and pay your property taxes and homeowner's insurance on your behalf.
You pay a portion monthly of these costs as part of your mortgage, and the lender makes the full payments when they're due.

💡 Why it matters:

Most buyers appreciate the convenience of escrow — no big tax or insurance bills to worry about. In most cases, it's required unless you put 20% or more down. I'll let you know your options.

🔁 7. Fixed vs. Adjustable Rate — What's the Difference?

- A fixed-rate mortgage has the same interest rate (and monthly payment) for the life of the loan
- An adjustable-rate mortgage (ARM) starts with a lower fixed rate for 5–10 years, then adjusts annually

💡 Why it matters:

Fixed-rate loans offer long-term stability and peace of mind. ARMs may be attractive if you plan to sell or refinance within a few years — but they carry more risk if rates rise.

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📦 8. What does my monthly mortgage payment include?

Most monthly mortgage payments include four key parts — often called PITI:

Principal – the portion that pays down your loan balance

Interest – what you pay to borrow the money

Taxes – property taxes, often escrowed

Insurance – homeowner's insurance (plus PMI if required)

💡 Why it matters:

Understanding your full payment breakdown helps you budget better and avoid surprises. I'll provide a Loan Estimate that shows everything — including any escrowed costs.

🏁 9. Does running my credit for a pre-approval hurt my score?

When we pull your credit for a mortgage pre-approval, it's considered a "hard inquiry." This can cause your score to dip slightly — usually less than 5 points, and often not at all if you have a solid credit history.

Here's what to know:

✅ The impact is temporary. Your score typically starts to rebound within 30–60 days.

🕒 The inquiry stays on your report for 2 years, but only affects your score for 12 months.

💡 Why it matters:

A mortgage inquiry has minimal impact compared to the benefits of buying a home. And a pre-approval is the key to getting serious offers accepted.

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🏁 10. Can I pay off my mortgage early?

Yes — and it's a great strategy if it fits your goals.
You can:

Make extra payments toward principal

Set up biweekly payments

Refinance into a shorter term (like 15 or 20 years)

💡 Why it matters:

Every extra dollar you put toward your loan goes directly to principal, not interest. That means faster equity, less interest paid over time, and the freedom to be mortgage-free sooner.

📞 Let's Connect

Thinking about buying a home — or just want to talk through your options? Let's chat. The conversation is always free, with no pressure or obligation.

We're here to help whenever you're ready.

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