1. What is a Mortgage?

Good question! A mortgage is a loan you use to purchase a home. It's a legal agreement in which a mortgage lender pays for your house in full with the expectation that you will repay them back (with interest) over a set period of time. Mortgages allow homebuyers to purchase homes even if they don't have all the money immediately available to purchase them upfront. Let's go over a few more common terms you'll hear:

- Loan Officer - the mortgage adviser in charge of your file. They'll help you from beginning to end.
- Interest Rate - The amount of money paid for the ability to borrow money. Expressed in percentage-form.
- Closing - Closing encompasses the final steps in the transfer of property ownership. The buyer signs all final documents and the seller receives funds.
- Credit Score - A number that represents a consumer's credit worthiness. Lower scores pose a greater risk of default (no longer being able to pay your mortgage). Higher scores tell lenders that you're less likely to default.

2. Pre-approval vs. pre-qualification: what's the difference?

A pre-qualification is just your mortgage adviser's estimate on your ability to buy a home. It's based on your credit score and some other self-reported details. A pre-qual may give you a good idea on which loan program fits you best, and maybe even how much you'll qualify for.

A pre-approval officially confirms how much you're able to borrow. Your income and asset documents go through a more formal review. After getting pre-approved, you're able to take a more serious look at buying a house. If you're not able to get pre-approved, your adviser will be able to offer some helpful tips on raising your credit score, lowering your debt, or working through any other financial obstacles preventing you from buying a home.

3. Is buying a house really better than renting?

Most of the time, yes! The fact is, with renting, you'll never have a chance to earn your money back. When you buy a house, you're making steady progress toward owning your property. When your loan term is done, you're no longer paying a mortgage. That'll never happen when you rent. Plus, you have the opportunity to sell your home and make some money back.

4. What are the qualification requirements to get a mortgage?

There are three main factors that come into play when being approved for a mortgage:

- Credit score. Each loan program has a minimum credit score requirement in order to qualify. Higher credit scores can allow you to qualify for lower interest rates, too.

- Down payment. Some loan programs require you to make a down payment of a certain amount.
- Debt-to-income ratio (DTI). Your debts should only make up a certain percentage of your income, because you're about to incur a large and important debt by purchasing a home.

There are the credit score ranges that may affect your terms and ability to get approved for a mortgage:

- 300 to 579 - You may not qualify for any mortgage option
- 580 to 620 - This is the mortgage qualification starting point
- 720 to 850 - You may be eligible for the best rates and terms

5. Conventional, FHA, USDA, VA – what are the differences?

These are all examples of home loan programs that homebuyers can choose from. We offer all four of these, plus several more options. Let's take a quick look at what makes each unique.

- Conventional - Lower rates and fees for borrowers making a down payment with good credit
- FHA - Popular with first-time homebuyers due to lower down payment requirements
- USDA - Zero-down options for rural borrowers in small towns
- VA - Competitive rates, zero-down options, and no private mortgage insurance (PMI) requirement for veterans, active service members, and their surviving spouses.

6. How can I manage a healthy credit score?

Your mortgage adviser will be able to provide you the best personalized advice, but here are some basic pointers:

- Never, ever miss a payment
- Keep your credit utilization below 30%, if possible
- Don't close old accounts
- Don't open new accounts

7. Do I have to make a 20% down payment to buy a home?

Probably not! There are loan options available that allow for 3.5% or even zero down. A 20% down payment will reduce your monthly payments and the total amount of interest you pay over the life of the loan, but it's definitely not required for all borrowers.

8. How do I figure out how much I can afford?

As a general rule, most homeowners should aim for a mortgage payment at or below 30% of their gross household income. Use a mortgage calculator for additional help.

9. Should I get a 15-year or 30-year mortgage?

That's up to you. While a 15-year mortgage will save a lot on interest compared to a 30-year, the monthly payments will be much higher. A 30-year mortgage would allow a family to move into a nicer home and still afford the monthly payments. Your mortgage adviser can help you compare the pros and cons of both options.

10. How long should I plan to live in the home?

Most homeowners are recommended to live at least three to five years in a home before selling it. Your home will most likely appreciate in value during this time, and you'll have some equity in it. The goal is to offset transaction costs such as agent commissions and closing costs.

11. How do I choose a home that'll make a good investment?

There are some simple ways to help make sure you purchase a home that will increase in value. Ask your real estate agent to show you some historical comps in the areas you're considering buying in. You'll be able to see how much similar homes have increased in value over the years. Location is key. Is the home near places families need convenient access to such as grocery stores, schools, shops, etc? Is it a safe place for families? How much has the area's population grown over the last few years?

12. When is the best time to lock my interest rate?

Rates fluctuate daily, and no one can predict an exact time to lock the lowest possible rate. If you're comfortable with the monthly payment at a certain rate, you should go ahead and lock. Your mortgage adviser will help explain more about rate locks as you reach that point in the process.

13. What does a relator (real estate agent) do?

A real estate agent helps you discover homes that fit your wish list, they set up showing times, they give you helpful tips about the current market, and they negotiate the purchase with the home seller. The home seller will most often have a real estate agent representing them, too.

14. Should I start with a relator or a mortgage lender first?

We recommend getting pre-approved with a mortgage lender first. Once you're pre-approved for a mortgage, you'll be able to shop with confidence. You'll know exactly how much you're able to purchase.

15. Online-only lenders vs. local lenders: which is best?

Online lenders have their merits, but when it comes to personalized service and speed to respond, an experienced local mortgage adviser can't be replaced. If you have a trickier financial situation, an online lender's algorithm may turn you down without exploring every avenue to make your dream of homeownership a reality. Sometimes, the opposite happens with online-only lenders - borrowers will get approved even when they shouldn't be.

Most homebuyers would agree that finding a perfect mix of convenient technology and face-to-face human help is the best way to a smooth closing.

16. What's an escrow account and how does it work?

By definition, an escrow is a bond, deed, or other document kept safe by a third party and taking effect only when a specified condition has been fulfilled. In the mortgage space, we use escrow accounts for two different purposes. The first time you use an escrow account is after an offer is accepted. You put cash into an escrow account to prove you're serious about the purchase. Your money is kept safe in escrow, and then it's released to the home seller when your loan funds. The second time you'll use an escrow account is for the payment of taxes and insurance after you purchase the home. Each month, you'll pay a portion of your annual property taxes and homeowners insurance into the account. When taxes and insurance are due, your mortgage company will draw funds out of the account and pay them for you.

17. How long does it take to close on a mortgage?

From application to loan funding, the average time it takes to close on the purchase of a home is 47 days. Refinances are typically faster.