Fixed or adjustable rates?

The interest rate on fixed-rate loans is always the same. For a predetermined period, the interest rate on an adjustable-rate mortgage (ARM) is fixed; after that, it varies based on a market index. A fixed rate can be preferable if you plan to remain in your home for an extended period. An ARM could be a better option if you want to sell your house before the rate changes because ARM beginning rates are often lower than fixed-rate mortgage rates.

Should I take out an interest only loan?

Since interest-only loans carry a higher risk, not everyone should apply for them. Prior to the principal payments being due, interest-only loans mandate monthly interest payments for a predetermined number of years. Your house won't increase in value unless you make equity in it. The monthly mortgage payment will increase significantly following the interest-only period to pay off the principle before the loan's term expires. The interest-only option is accessible to qualifying borrowers and isn't offered on all loan packages.

Should I refinance?

Here are a few justifications for refinancing:

- Lower interest rate
- Monthly payment lowered
- Change loan term

What does the term "market value" mean?

The anticipated selling price of a home when it is listed for sale.

What is a comparable sale?

A comparable sale is a house sale that is similar to the subject property in terms of size, location, and features. Comparable sales are essential for determining market value.

What exactly is PMI?

If you have less than 20% equity in your home, private mortgage insurance, or PMI—is usually required. The mortgage insurance premium is typically included in the monthly mortgage payment.

Fixed or adjustable rate?

The interest rate on fixed-rate loans is always the same. An adjustable-rate mortgage, or ARM, has a fixed interest rate for a predetermined period before changing in line with a market index. A fixed rate can be preferable if you plan to remain in your home for an extended period of time. An adjustable-rate mortgage (ARM) could be a better option if you want to sell your house before the rate changes because ARM beginning rates are often lower than fixed-rate mortgage rates.

An appraisal: what is it?

Produced by a trained, neutral, independent, certified, or licensed professional. Appraisals and valuations provide opinions about the market value of the property that is being used as collateral for the proposed loan.

Must a home be appraised?

Almost always, a home appraisal will be necessary. The appraisal is used by a lender to determine the house's estimated market value. Since your home will be used as collateral against the mortgage, lenders want to be sure it is worth at least as much as the loan amount you are requesting.

Will the appraisal be sent to me?

When an applicant applies for a first-lien mortgage or a home equity loan, lenders are required to provide all completed appraisals and written valuations.

What do points for a mortgage mean?

Mortgage points, also known as discount points, are one-time expenses paid to lower the interest rate. For each point—or one percent of the loan amount—the interest rate may be cut by one-eighth to one-quarter percent.

What distinguishes APR from interest rates?

The APR adds upfront expenses like points and lender fees to the interest rate, whereas the interest rate itself is the rate at which interest accrues on the loan balance.

Describe pre-paid interest.

Pre-paid interest is the amount paid in advance to cover the per diem interest charges from the loan closure to the end of the month corresponding with the closing.

Should closing costs be paid in full up front?

To reduce your monthly payments, think about paying closing fees up front if you have the money.

What do closing costs consist of?

Closing costs can vary based on the type of mortgage and location of the property and include a variety of fees such pre-paid interest, title insurance, attorney fees, and documentation fees.

What's included in my monthly payment?

Principal, interest, mortgage insurance (if applicable), and any escrowed sums for real estate taxes and insurance are normally covered by monthly installments.

Explain PMI.

If the down payment is less than 20% of the purchase price of the house, PMI, or private mortgage insurance, is typically necessary and is paid for as part of the monthly mortgage payment.

What is LTV and why is it important?

LTV, or loan-to-value, is calculated by dividing the total mortgage amount by the fair market value of the property. This determines borrowing eligibility, whether mortgage insurance is required, and affects the interest rate.

How can I estimate the value of my house?

Recent neighborhood sales and property tax assessments are available through online resources and local tax agencies.

Is interest on a mortgage tax deductible?

To find out whether mortgage interest on loans secured by the primary house is tax deductible, speak with a tax professional.

How does the lender determine eligibility for a loan?

To establish loan eligibility and, occasionally, interest rates, lenders consider information about the property, debt-to-income ratio, and credit history.

What determines my interest rate?

Interest rates are influenced by various factors such as property valuation, credit history, individual qualifications, loan purpose, market conditions, and loan size.

Is perfect credit required?

While candidates with past credit troubles may not be automatically disqualified, they may still be eligible if they have a track record of timely debt repayment and a high credit score.

Describe escrow accounts.

An escrow account collects monthly payments to cover these costs on behalf of the borrower and oversees the timely payment of insurance premiums and real estate taxes.

Does a person need an escrow account?

The selected loan program and down payment amount, which are decided upon throughout the loan application process, will determine whether an escrow account is necessary.

Which costs are paid for through an escrow account?

Real estate taxes and mandatory insurance premiums are normally covered by an escrow account; other costs, such as homeowner association dues or non-real estate-based taxes, are not.