1. Should I get a fixed rate or an adjustable rate?

On a fixed-rate loan, the interest rate doesn't change over the life of the loan. An adjustable-rate mortgage (ARM) has an interest rate that is fixed for a set number of years and then afterwards will go up or down based on a market index such as the SOFR. Consider factors such as the length of time you plan to stay in your home. If you plan to stay in your home for a long period of time, a fixed-rate may be better for you. Otherwise, an adjustable-rate might be better if you plan to sell your home before the rate becomes variable, since initial ARM rates are typically lower than fixed-rate mortgages.

2. Do I want an interest-only loan?

Interest-only loans are not for everyone, and because of the risks, the pros and cons of an interest-only loan should be considered thoroughly. With an interest-only loan, borrowers make only monthly payments of interest for a set number of years before they begin to make principal payments. During this period, you won't build any additional equity in your home unless the home appreciates in value. When the interest-only period ends, your mortgage payment will increase, often substantially, to ensure the outstanding principal balance is repaid before the loan term ends. If you are comfortable with managing the risks, an interest-only loan does provide some flexibility in managing month-to-month cash flow. The interest-only feature is not offered on all loan products and is only available to those who are well qualified.

3. Why should I refinance?

There are numerous reasons customers refinance the loans they already have. Some of these are:

- To lower the monthly payment
- To lower the interest rate
- To switch from an adjustable rate to a fixed rate, or vice versa
- To refinance for a higher amount in order to pay off other debts or get cash
- To change the remaining term of the loan

4. What does “market value” mean?

Market value is the likely selling price of a home with a willing buyer and a willing seller on the open market.

5. What is a comparable sale?

A comparable sale is a property that has recently sold and is similar to the subject property in most respects, including size, location and amenities. The selection of comparable sales is an important determining factor in providing an opinion of market value. It is the appraiser's responsibility to adequately research the local real-estate market and to determine which comparable sales best represent the value characteristics of the subject property.

6. What is PMI?

If you're refinancing a first mortgage, and have less than 20% equity in your home, mortgage insurance, such as private mortgage insurance or PMI, is usually required. The mortgage insurance premium is typically included in your monthly mortgage payment.

7. Should I get a fixed or an adjustable rate?

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9. What is an appraisal?

An appraisal is a type of valuation developed by an independent, unbiased, qualified, and licensed or certified professional. Appraisals and valuations are opinions of the market value for the property used as collateral for the requested loan. Written reports of appraisals are sometimes referred to simply as "appraisals."

10. Do I need a home appraisal?

In almost all situations, a home appraisal will be needed. The appraisal helps a lender determine the market value of the home you are considering purchasing. Since the property will be used as collateral against the mortgage, lenders want to make sure the house is worth at least as much as the loan amount you're seeking.

11. What does “market value” mean?

Market value is the likely selling price of a home with a willing buyer and a willing seller on the open market.

12. Will I be provided a copy of the appraisal?

Lenders are required to provide applicants with all completed appraisals and written valuations related to their first-lien mortgage and home-equity loan and line applications. For all other loans, you can request a copy of the appraisal or property valuation at no cost.

13. What is a comparable sale?

A comparable sale is a property that has recently sold and is similar to the subject property in most respects, including size, location and amenities. The selection of comparable sales is an important determining factor in providing an opinion of market value. It is the appraiser's responsibility to adequately research the local real-estate market and to determine which comparable sales best represent the value characteristics of the subject property.

14. How fast will I get my money?

This is one of the most important mortgage questions. When you're buying a home, the funds are available on the day you close your loan. On a refinance, funds are normally disbursed on the fourth business day after you sign your loan documents. This is because federal regulations require a three-day rescission period, during which you have the right to cancel your loan outright.

15. What are mortgage points?

Points, also known as discount points or mortgage points, are a one-time fee that you can choose to pay to get a lower interest rate. One point equals one percent of your loan amount and will usually result in a rate that is one-eighth to one-quarter of a percent lower.

16. What is the difference between interest rate and APR?

The interest rate is the rate at which interest will accrue on your outstanding loan balance. In addition to the interest, the APR (annual percentage rate) adds in some of the upfront costs of getting the loan, including points and lender fees.

17. What is pre-paid interest?

When you make your mortgage payment on the first of the month, you are actually paying for interest charges that accumulated during the previous month (also called "paying in arrears"). For example, a mortgage payment due on August 1 would cover the interest charged from July 1 to July 31. As the name indicates, "pre-paid" interest is paid in advance. It is the per diem interest charges that begin accumulating on the day your loan is closed until the end of the month in which the closing occurred.

So, for example, if your loan closed on June 15, the pre-paid interest would be calculated based on the number of days left in the month of June, or 15 days (June 16 through June 30). Using this same scenario, your first monthly mortgage payment would be due on August 1. The August 1 payment would cover interest charges that occurred between July 1 and July 31 (covering the days after the pre-paid interest period ended).

18. Should I pay my closing costs out of pocket?

If you have the cash on hand, then consider paying your closing costs out of pocket. This will keep your monthly payment lower.

19. What are the closing costs?

Closing costs include items like title insurance fees, attorney fees, pre-paid interest and documentation fees – to name a few. These items vary for each customer due to differences in the type of mortgage, the property location and other factors.

You'll receive a Loan Estimate explaining your closing costs when you formally apply for your mortgage. You'll also receive a Closing Disclosure before closing that will list all of the costs, credits and fees needed to complete the purchase of the home.

20. What amounts are included in my monthly payments?

Principal & Interest - With most mortgages, your monthly mortgage payment will include amounts that go toward loan principal and interest. For an interest-only mortgage, monthly payments will include only the interest that is due on the outstanding principal balance, until the interest-only period ends.

Mortgage Insurance (MI) - If your home loan requires mortgage insurance, such as private mortgage insurance or PMI, your monthly payment will usually include a mortgage insurance premium.

Real Estate Taxes and Insurance - Your monthly payment may include a portion to cover real estate taxes, homeowners insurance and, if applicable, flood insurance. This money will be held in an escrow account , and we'll pay your real estate tax and insurance bills on your behalf when they are due. Remember, no matter the type of mortgage you have, you can always make additional payments toward principal without a penalty. That will help you pay off your loan more quickly.

21. What is PMI?

If you're buying a home, and have less than a 20% down payment, mortgage insurance, such as private mortgage insurance or PMI is usually required. The mortgage insurance premium is typically included in your monthly mortgage payment.

22. What is LTV and why does it matter?

LTV stands for loan-to-value. It's used to determine how much you are eligible to borrow and whether mortgage insurance, such as PMI, will be required. It's also one of the factors used in determining your interest rate.
It equals:
The total dollar amount of mortgages on your property
Divided by
The property's fair market value.
When you're buying a house, the fair market value will be the lower of purchase price or the estimated market value as established by the appraisal.

23. How do I find out my home’s value?

There are many sources online that can tell you what other homes in the neighborhood are selling for and you can usually check with the local tax authority to find out what the last tax assessment was for the property.

24. Is my interest tax deductible?

Interest you pay on a loan that is secured by your primary residence may very well be tax deductible. Consult with a tax advisor to find out whether the mortgage interest will be tax deductible in your situation.

25. How does the lender determine if I qualify for the loan?

When reviewing your application information, an underwriter examines three main factors to assess whether you qualify for the loan and also in some cases to determine your interest rate:

- Your credit history (including FICO score)
- Your property and
- Your debt-to-income ratio (the amount of income and assets you have compared to your outstanding debts)

26. What will my rate be?

There are many factors that impact what interest rate you will be offered – from daily changes in the market to individual qualifications. There's no way to say what your exact interest rate will be until your application is completed, but we will give you our best estimate based on preliminary factors. Your final interest rate will be influenced by where the market is when you apply as well as factors such as the loan purpose (purchase or refinance), your credit history (FICO score), the value of your home and the loan amount, to name a few.

27. Do I need to have perfect credit?

If your credit score is high you may receive better rates and have more options available to you. But simply having some credit issues in the past won't necessarily disqualify you from getting a mortgage. However, your credit history needs to demonstrate both willingness and ability to repay on time.

28. What is an escrow account and how does it work?

An escrow account ensures your real estate tax and insurance bills are paid in full and on time, without you having to save large amounts of money and keep track of due dates. An escrow account is a separate account that your lender sets up to hold the money it collects each month for your real estate taxes, homeowner's insurance premiums, and if applicable, flood insurance and/or mortgage insurance. The lender takes your estimated annual real estate taxes and insurance premium expenses and divides that amount by 12. This amount is added to your monthly mortgage payment.

Your real estate and insurance bills are sent directly to the lender and they are paid on your behalf with the escrowed funds.

29. Am I required to have an escrow account on my loan?

That depends on factors such as the loan program you choose and the amount of down payment you make. When you apply for your loan, we will let you know whether or not an escrow account will be required.

30. What types of bills are paid out of an escrow account?

Typically, bills paid out of an escrow account will be for real estate taxes and required insurance premiums, which may include homeowners insurance and, if applicable, flood insurance and/or private mortgage insurance. Escrow accounts usually do not cover funds for bills such as, homeowner association fees, non-required insurance, special or added tax assessments, supplemental tax bills or any type of non-real-estate-based taxes unless they are included on real estate tax bills.