Frequently Asked Questions

How large of a mortgage can I get?
You can generally qualify for a mortgage of two to two and a half times your annual household income. This means that if you and your spouse have a total income of $50,000, you can probably qualify for a mortgage of between $100,000 and $125,000. Remember, this figure could vary depending on other factors such as debt-to-income ratios and credit histories.

What is APR?
APR is an acronym for Annual Percentage Rate. This calculation is required by law and includes your closing costs as if they were part of the interest on your loan. APR appears on your Truth in Lending Disclosure (after you have applied for a loan). Because the APR shows the overall cost of the loan as a percentage, you can compare the relative costs of similar loans.

APR is not used to calculate your monthly payments and should not be confused with your actual interest rate, which is used to calculate your monthly payments.

What is PMI?
Private Mortgage Insurance (PMI) may be required if the down payment is less than 20% of the purchase price. This insurance is used as a safety net for the lender in the event that a borrower defaults on the loan. The percentage of required PMI each month depends upon the loan amount, the type of loan and the down payment.

PMI costs are typically between .15 to 2.5% of the loan amount. Generally, you are required to pay one or two months of PMI payments in advance at closing, which is put into an escrow account.

What are closing costs?
Closing costs are costs incurred for financing the purchase of your new home. Some of these costs may be paid by the seller if negotiated within the purchase agreement. These costs include:

- Down payment
- Loan origination fee
- Prepaid interest
- Underwriting fee
- Inspection fees
- Document Prep Fee
- Escrow of insurance and taxes
- Title insurance and taxes
- Flood certification fee
- Processing fee

What is prepaid interest?
Prepaid interest is interest on the loan charged to the borrowers at closing to pay for the cost of borrowing for a partial month. For example, if a loan closes on the 15th of the month and the first payment is due 45 days later, the lender will charge 15 days of prepaid interest.

What is a Good Faith Estimate?
As the name implies, this is an estimate of settlement costs, such as homeowner's or flood insurance, current property tax, title insurance, appraisal and prepaid interest. This written estimate of closing costs must be provided to you within three days of submitting an application with a property address.

What are underwriting conditions?
Underwriting conditions are documents required to validate information provided on the loan application. The conditions must be received to obtain final approval for the loan.

What is PITI?
This is the term used when referring to the monthly payment when the loan principal, interest, property taxes and property insurance is combined into one single payment.

The American Dream

Owning a home is part of the American dream – and it's one of the biggest financial decisions you'll ever make. So, when you're ready to buy or refinance a home, relevant information, careful attention to detail, and a professional who has your best interest in mind is a must.

My relationship with experienced and trusted local mortgage brokers and lenders means you are working with a team dedicated to making sure your home buying transaction goes smoothly. Together, we will provide the following guidance and support:

- Review what to expect during the loan process
- Determine how much loan you can afford
- Help you work out basic credit problems, if necessary
- Gather loan data information and transmit it to a mortgage company
- Obtain and discuss different mortgage loan options
- Get the most competitive rate for your situation
- Arrange for the appraisal, title report and inspections
- Keep you informed throughout the loan status

Knowing What to Expect

Understanding the Loan Process

Knowing what to expect during the loan process will make it a little easier and a lot less nerve-wracking. The following is helpful information to help you understand the process.

PreApproval
The first step in getting a loan is to gather an initial overview of your income, job history, credit evaluation and income-to-debt ratio. Once the data is gathered, it is submitted for evaluation.

The information submitted is analyzed and reviewed. Based on this review, you will receive a pre-approval, counter offer (possibly a different product and/or interest rate), or denial. With a pre-approval or counter-offer, you will get a list of supporting documents (loan conditions) that are necessary to verify the information submitted. Based on the decision, a loan officer will contact you to explain your options.

A loan approval at this stage is not a loan guarantee, but it helps you determine how much you can spend on a home. Knowing what you can borrow prior to home shopping places you in a better position to buy a home and narrows your search.

Submit Property Information
You don't have a true application for a mortgage until you have the collateral for the loan. Once you have found a home or made a refinance decision, submitting the property address formalizes the loan application and starts the process for the appraisal, title report and other required inspections.

Processing
A loan processor will collect the supporting documents to verify the information you provided. The processor also receives the Appraisal to verify the property value and the Title Report to show proof of clear title to the property. All documents are reviewed for final approval to close.

Closing
When the final approval is issued, a closing time will be scheduled. At closing you will sign the Mortgage Note, Deed of Trust and other required forms. Once both the buyers and sellers sign, the closing agent will have the Deed of Trust recorded with the country recorder and issue a Title Insurance Policy. The Settlement Statement will give you detailed closing costs

Understanding Criteria for Loan Approval

The Loan Approval Process is relatively simple and is generally based on the following criteria. Be sure to respond promptly to requests for verification of the information on your application.

Income
You must demonstrate your capability to repay the mortgage loan. The income you disclose for qualifying purposes will need to be documented. Typically, proper income documentation means providing two most recent pay stubs and copies of your W-2s for the last two years. For Self Employed income, the last two years tax returns and a year to date profit and loss statement are usually required.

Debt-to-Income Ratio
What you earn balanced against what you owe will be used by lenders to determine what you are able to borrow. Debt-to-income ratio is your household's monthly cash flow relative to its monthly debts. A conservative 36% is used for PreApproval. However, excellent credit patterns, job stability and substantial assets will allow for a higher ratio.

Job Stability
You will be required to disclose two years of employment history. Employment at the same job or in the same line of work for two years is considered good job stability and will be taken into consideration when your debt-to-income ratio is higher than 36%. Your employer will be asked to confirm your job status.

Assets
Normally, you will need to provide documentation to support the source of the down payment, closing costs and at least two months of PITI (principle, interest, taxes, insurance) in reserve. All assets included on your application will need to be properly documented. Usually this requires two months of bank statements, your latest quarterly update from your 401(k) plans, etc. Include in your assets any liquid resources such as all checking, savings, stock, money market, 401(k) or IRA accounts, Certificates of Deposit and cash value of insurance policies. If liquidation of an asset is required, proof of liquidation and proof of value will need to be documented.

Closing costs are expenses incurred to complete the real estate and loan transactions and include such expenses as title insurance, escrow accounts, the loan origination fee, appraisal fee and credit fees.

Credit
A credit report is a detailed history of your payment patterns. Your credit grade impacts your interest rate and down payment guidelines. Be prepared to explain any deficiencies noted on your credit report. Mistakes are common on credit reports and you have the right to have any errors removed. If necessary a Credit Repair Kit is available to guide you through the process of removing errors.

Poor credit history, including any judgments and bankruptcies no longer hinders you from achieving homeownership. Alternative Loan Programs are now available. These loan programs will have higher interest rates and/or fees and generally require a larger down payment. On the other hand, an excellent credit history will generally require less documentation and/or lower down payment.

Collateral
An Appraisal and Preliminary Title Report (PR) will be ordered on the property being used as collateral for your loan. The appraisal determines the fair market value of the property and must be done by an approved appraiser. Most loans range from 75% to 90% of the appraised value of the home. A loan up to 97% may be available to first-time homebuyers with excellent credit.

The PR will show any liens, easements or encumbrances attached to the subject property. Any outstanding liens or judgments must be paid prior to closing to clear the title on the property.

Choosing the Best Loan

To discover what might be the best loan program for you, ask yourself the following questions:

- How long do I intend to occupy the house?
- Is paying the mortgage off early important to me?
- How much money do I have for the down payment?

Answering the above questions and working with your mortgage professional will help determine the best loan program.

30 Year Fixed
A 30-year fixed loan is the most common loan. The interest rate remains fixed, and the payments remain the same for the life of the loan. As the name suggests, the loan is structured to be repaid at the end of 30 years. This loan is an excellent choice if you plan to stay in your home for many years.

15 Year Fixed
This loan is similar to the 30-year fixed, except it is structured around a 15-year time period. The monthly payment is higher, but there is substantial savings in interest because the loan is paid off in 15 years.

Adjustable Rate Mortgage (ARM)
An ARM usually has a lower payment, as the initial rate is lower than either the 30- or 15-year loan. However, the interest will adjust, either up or down, depending on market conditions. These loans may allow you to obtain a higher loan amount and may be refinanced when market conditions lower the fixed rate interest. If you are considering moving within 7 or 9 years, you may want to consider an ARM.

Stated Income
Stated income programs work well for borrowers who are self-employed or primarily commissioned and claim large deductions on their income tax returns. These programs are also used for salaried borrowers whose income levels don't meet traditional loan program requirements. Income doesn't have to be proven by documentation but must be "reasonable for the profession." Borrowers must have at least two verifiable years in their professions.

Interest rates and down payments for stated income programs are generally higher than traditional loan programs. Good credit is essential for this program to reduce the risk to the lender.

Balloon
This loan usually offers a lower interest rate than a 30-year fixed rate loan. The loan is amortized over 30 years, however the balance becomes due at either the 5th or 7th year. A Balloon may allow you to qualify for a higher loan amount and may be a good choice if you intend to move within five or seven years.

Alternative Loan Programs
These programs allow credit deficiencies to be overlooked by increasing the down payment amount. With these programs, outstanding judgments will be required to be paid off, and as long as a bankruptcy is either dismissed or discharged, loan options are available.

Cash-out Refinance
Refinancing an existing mortgage can take advantage of equity in a property. It is important to determine how long it will take to balance out on closing costs and how much money will be saved over time. Typical reasons for doing a cash-out refinance include consolidating bills, paying off high-interest credit cards, or doing home improvements.