MORTGAGE OVERVIEW

Types of Mortgages

MANAGE YOUR CREDIT SCORE

Lenders will study all facets of your credit history. These factors comprise your credit score. Higher scores translate to lower interest rates on your monthly mortgage payments. Lower rates mean lower payments. Make yourself aware of your credit score and identify issues that may need addressing prior to applying for a mortgage.

ORGANIZE FINANCIAL RECORDS

As part of the loan process, you will need to gather and organize your financial documents. Your lender will advise you on what is needed. Typically, this includes W2 forms, recent pay stubs, bank statements, federal tax forms, and records of your assets. Collecting these documents in advance of applying for a mortgage will save you time.

SPEAK WITH A QUALIFIED LENDER

Not all lenders are created equal. Finding the right professional advisor for your situation will not only give you the best rates for market conditions, but will also help you understand your options based on your financial health. A lender can be a deal breaker on the road to closing.

UNDERSTAND RATES & TERMS

When shopping for loans, there are two numbers to consider: your interest rate and the term of the loan. Interest rates will vary based on market conditions, type of lender, and your personal finances and qualifications. For the best understanding of what's available and how it will translate to monthly payments, request quotes from different lenders with different terms. Then, compare the financial impact of each. A little comparison shopping could save you a lot of money over the term of your loan.

TYPES OF MORTGAGES

Conventional Fixed-Rate Loan: Fixed-rate loans are typically structured in terms of 15, 20, or 30 years. This determines the schedule over which you pay back the loan, along with a predetermined interest rate that is set throughout the life of the loan. This fixed rate guarantees that your mortgage payments remain the same throughout the course of the payback period.

Adjustable-Rate Mortgage (ARM) Loan: An ARM typically offers a lower interest rate at the beginning of the loan for an initial fixed period (i.e., 5, 7, or 10 years), and then periodically adjusts higher or lower after the initial period based on a margin plus the index that the loan product is set. The loan product also has predetermined maximum and minimum caps on how much the rate can adjust.

Federal Housing Administration (FHA) Loan: The FHA insures loans that are made by private lending institutions for buyers who meet certain eligibility standards (through a certified FHA lender). To qualify, the buyer must be able to pay at least 3.5% of the purchase price.

Veterans Administration (VA) Guaranteed Loan: A VA loan is available only to qualified veterans and their spouses. These loans are issued by private lenders and are guaranteed through the VA. There is no down payment and the VA requires the buyer received a fair, fixed rate.

TYPES OF LENDERS

Mortgage Lender: A mortgage lender provides money to buy a home (or refinance an existing mortgage). They have strict criteria for your credit and financial situation; this is reflected in their rates and terms.

Mortgage Broker: Brokers do not lend their dollars but shop multiple lenders to offer you the best rates and terms. Essentially, a broker acts as an agent between you and a lender.

Portfolio Lender: Portfolio lenders offer mortgages from their own money, which is maintained in their portfolio. This type of lender can set their own terms for the mortgage; they are ideal for buyers who have special needs (e.g., a unique property, a jumbo loan, or a non-traditional financial situation).

Correspondent Lender: Works with an investor, also called a sponsor, who purchases mortgages that meet certain criteria (i.e., Frannie Mae/Freddie Mac) after a loan is issued.