



These are some of the most common questions we are asked by Homebuyers. Please feel free to contact us for any additional questions or concerns you may have.



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What is Mortgage Insurance?

Insurance against default on of the loan and typically required for loans with less than a 20% down payment. The lower the down payment, the more the lender has at risk, and therefore, the higher the cost of mortgage insurance. It is also required on all low down payment FHA programs, but is subsidized under these government programs to be very affordable. In many cases, mortgage insurance can be temporary and be removed in the future as the loan amount in comparison to the value of the home (LTV) decreases.

What is Title Insurance?

It is a required policy to be purchased by the buyer as part of standard closing costs. The policy assures you and the lender the property is free of any liens and you are in clear title of ownership.

What is an origination fee?

A typical origination fee is 1% of your loan amount and works exactly like a discount point. You can avoid all or part of this fee by paying a higher interest rate in some instances. If you are quoted a loan with no origination fee it has been built into your interest rate and you are likely paying a higher rate rather than just paying the fee.

Why should I use a Realtor?

Realtors are professional home inspectors and negotiators. They typically work in specific geographic areas and will ensure you pay a fair price when purchasing and receive full market value for your home when selling. There can be a multitude of steps to the negotiation process from price to repairs. Realtors can keep the emotions out of the process and ensure you have a smooth purchase or sale process by representing you and managing the details on your behalf. You will have access to better market data and potentially more properties as many realtors know of homes before they ever come on the market if they have longevity in a specific geographic area.

Why Work with a Lender referred by a Realtor?

Realtors establish relationships with Lenders that take care of their clients and make transactions go smoothly. Realtors and lenders typically form a working relationship that will manage your transaction for you and prevent costly mistakes. Realtors are prohibited by law to accept any "kick back" from the lender. They receive no compensation for their recommendation, just piece of mind knowing that their trusted partner will take care of their client and offer no surprises at the closing table.

What is a Preapproval and Why Do I need one?

A loan preapproval is provided by the lender to you upon verification of debt and income. Typically, we can provide a preapproval with a credit report, income and savings documentation. We have in-house underwriters that further confirm your qualification early in the process so you are assured a smooth transaction.

The Why...

A loan preapproval assures the seller you are qualified to purchase their home and verifies for you how much you qualify for. With the introduction of Risk Based Pricing in 2008, it will also help determine what rate and terms are available to you.

To learn more about how your interest rate is determined, see Finding The Best Mortgage in 2009 a one article in the library section of our website.



Does the type of home I want to buy impact my ability to qualify?



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Yes, the different categories of primary residence have different components included in the qualifying criteria. For purposes of this discussion we are comparing the most common first time buyer categories which are **Single Family Residence, Town Homes, and Condominiums**. These are legal property descriptions and cannot necessarily be determined by looking at a property or by its name. Understanding the components for qualifying will eliminate any disappointment in higher closing costs than anticipated or not being able to purchase the home of your choice. The highlights below outline the qualifying criteria that differ between categories. It is not a comprehensive list inclusive of ALL costs that pertain to qualifying for a mortgage. The type of mortgage, rate and term for which you qualify, and numerous other elements factor into your total costs.

Purchase price is only one component of cost that impacts a buyers ability to qualify for a property. Understanding the criteria specific to your property type is essential in determining accurate payment information and YOUR ability to obtain financing.

Here is a high level financial example:

IF your HOA dues are \$200/Month, this roughly translates to \$28,000 less home you can qualify for as the HOA dues factor directly into your payment calculation. (This is based on a 7% interest rate and varies as the rate changes.) Some developments require one full year of association dues be paid in up-front in closing costs, again factoring into your overall qualifying criteria.

A summary of the qualifying components that must be included and vary by category.

1) Single Family Residence

Qualifying Criteria:

- Principle and interest on your mortgage loan
- Property Taxes
- Home Owners Insurance

Homeowners insurance highest in this category.

2) Town Homes

Qualifying Criteria:

- Principle and interest on your mortgage loan
- Property Taxes
- Home Owners Insurance
- HOA - Home Owners Association fees. Typically \$100 to \$150/ month.

Homeowners insurance lower, but must add HOA dues. HOA typically covers exterior of structure.

3) Condominiums

Qualifying Criteria:

- Principle and interest on your mortgage loan
- Property Taxes
- NO HOME OWNERS required
- HOA - Home Owners Association fees. Typically \$200 or more

No home owners insurance required, usually higher maintenance and HOA fees associated.

This does not discuss investment properties or second homes. See the Real Estate Investors section of this site to understand more on these topics.

