

Mortgages 101

Introduction

Don't shop for a home until you have explored mortgage options and know how much money you have to offer. If you're serious about buying a house, consult with a qualified mortgage professional to discuss mortgage options and obtain a pre-approval letter. Don't be afraid to ask questions and express concerns about your mortgage options.

Pre-Approval

Any real estate agent will agree that pre-approved buyers are much more appealing than those who are not pre-approved. Although mortgage pre-approval doesn't guarantee that you will be able to obtain a mortgage, it does suggest that you are in a good position to do so. To get pre-approved, your loan officer will check your credit history, debt-to-income ratio, and income history. Unlike a pre-qualification, which does not require documentation, a pre-approval requires documents to prove all information. You will probably have to pay a small fee to check your credit score. Pre-approval not only looks good to sellers, but it also lets you know how much house you can afford.

Choosing a Mortgage

Consult a mortgage broker to determine the best mortgage option for you. Generally speaking, you will want to choose a mortgage with a low interest rate, manageable down payment requirements and affordable monthly payments. Keep in mind that mortgage interest rates fluctuate. If interest rates are very high, consider putting your purchase off until they dip down a bit lower. When you calculate your monthly mortgage payments, don't forget to include taxes, mortgage insurance and any other applicable fees, which can increase the monthly payments substantially.

Down Payments

Down payment options have become much more flexible in recent years. New mortgage programs backed by the Federal Housing Administration and Fannie Mae allow homebuyers to secure a home with as little as 3 percent down. Homes that are in rural areas may qualify for zero-down lending under the United States Department of Agriculture's home loan. If coming up with a lot of cash isn't an issue, opt for a higher down payment amount. The money you put down on your new home secures immediate equity, which means that you own more of the house than you would if you provide a low down payment.

Good Faith Estimate

Once you've committed to a specific property, obtain a good faith estimate from your lender, which provides an estimate of closing costs, interest payments, taxes and other fees. Ask for a good faith estimate within three days of your loan application date. Keep in mind that although good faith estimates are approximate, they may not be exact. Ask your lender to explain any fees that you do not understand.

Conclusion

Whether you are a first-time homebuyer or a seasoned investor, obtaining a mortgage is a big financial step. Give Glenda a call at 816-763-4020 ext 315 or visit our website at www.csdcu.org.