COMMONLY ASKED QUESTIONS

Getting a mortgage can – at first – seem overwhelming.

That's why we put together some information on the questions we hear most. Remember, our loan specialists are always here to help, but this is a great place to start.

loan process

How do I get pre-qualified with The Mortgage Co?

This is a great place to begin your home buying process. Our application process is online at www.TheMortgageCo.com. Once you apply, we review your information and can usually make a decision within about 24 hours. Once you have a pre-qualification letter, you have the financial backing you need to start searching for your home!

Do I need an appraisal?

On most purchase transactions an appraisal will be necessary. In the case of a refinance there are certain, (although rare) occurances when an appraisal will not be necessary. Your loan expert will coach you through all of these scenarios.

How quickly will the funds come through?

When buying, the funds become available on the day of closing. If you're refinancing, it will be at least four days after you sign your loan documents, due to federal regulations (primary residential only).

getting approved for a loan

How is a decision made?

An underwriter will examine your credit history, property value and debt-to-income ratio – the three main factors that determine your perceived risk and therefore your approval on a loan. In some cases, these will affect your interest rate as well.

How is rate determined?

The reason that your rate can be slightly different than what your friend has or what you may hear advertised can be based on a variety of factors including the purpose of the loan, credit history and ability to repay, the value of the collateral, and the loan amount, to name a few.

How much money can I borrow?

The main factors in determining this is your debt-to-income ratio. To calculate debt-to-income, use this formula:

Monthly debts / gross monthly income = debt-to-income %

What do I need my credit score to be for a good rate?

Of course a higher credit score may mean a better rate and more options; however, this is just one of the factors for in the underwriting process. To truly know your rate, discuss with one of our loan experts!

what type of loan do I need?

What type of rate is best for me – fixed or adjustable?

These are exactly as they sound. A fixed-rate loan is set in the beginning of the loan and does not change over the life of the loan. Adjustable-rate loans are linked to an index and can change over time (usually capped).

Several factors can affect which option is the right choice for you, such as your immediate versus long-term payoff plans, and – for adjustable-rate - the consideration of how a higher payment could affect your household budgeting.

I have a rental property. Can I finance that?

While the interest rate can be higher than an owner-occupied loan, loans are available for rentals.

Should I refinance?

There are a few things to consider regarding refinancing. You would opt for this if you were looking to:

- *Lower your monthly payment or interest rate*
- *Change your loan type (fixed to adjustable or vice versa)*
- *Get cash or pay off other debts*
- *Change the loan term.*

home purchasing

Do I need a down payment?

Loans can be up to 100% of a property's appraised value, although this percentage can change based type of loan, occupancy, credit score and more. Talk to your loan specialist to understand what might be required as a down payment for your specific case.

What about "locking" my interest rate?

Locking your rate is not always required when initially applying for a loan. You will need to lock your loan once you have found your property. Please consult with your loan expert for all your rate locking options.

costs

What are points?

Points are equivalent to a percent of your loan amount. In some cases, the borrower can pay discount points to lower their interest rate.

What is the difference between interest rate and APR?

The interest rate is what it costs to borrow the money. Alternatively, the APR is the total cost of the loan—including costs, points, and fees—figured into a yearly percentage.

What is pre-paid interest?

Pre-paid interest is the interest that accrues between your closing date and the last day of that month.

Should I pay fees or roll them into my loan?

Generally, these need to be paid if it is a purchase. However, the answer to this question for a refinance can depend on whether or not you have extra funds available to pay these. If you do – then you can pay them up front in order to have a lower monthly payment. If you don't have the extra cash available, you can roll them into your loan. Either way does not have a huge impact on the monthly payment.

What will the closing costs be?

Closing costs can include various items like appraisal fees, title insurance fees, and attorney fees. However, each loan varies. We will provide you a Closing Disclosure three days prior to your closing date and your loan expert will review this with you so you know exactly what to expect.

What is included in my monthly payment?

This will depend on the type of loan you have selected. For fixed rate and adjustable rate mortgages, a portion of the monthly payment goes towards principal and interest.

If the mortgage carries mortgage insurance, then this will also be included in your monthly payment, unless the lender has paid it or you opted to pay it up front.

There may also be an escrow account to hold money for property taxes, homeowners insurance, and PMI if that is required (see definition of PMI below). HELOCs and HE Loans do not require mortgage insurance. PMI may also be required (see below).

What is PMI?

Private Mortgage Insurance (PMI) protects lenders against losses in the case a borrower defaults on a mortgage. This is required on purchases when the borrower has less than a 20% down payment or – for refinances, when the borrower has less than 20% equity in the property being refinanced. This cost is typically added to the monthly mortgage payment.

home equity

How much equity does my property have?

The equation is fairly simple.

Your Home's Value - All Amounts Owned on Property = Equity

What is LTV and why is it important?

LTV stands for loan-to value. Here's how to calculate it:

The total amount of liens on the property / fair market value

If the subject property is a purchase transaction, fair market value will be based on the lower of purchase price or estimated market value as established by the appraisal.

Why should I use my equity?

Equity can be used for a number of reasons; you may simply want to implement some home improvements. Or perhaps you'd like to consolidate other debt, finance a wedding or other life event.

Is my interest tax deductible?

Interest on various loans is generally tax deductible; however, discuss with your tax advisor to know for certain.