Top 10 Mortgage Questions Answered

WHAT IS A PRE-APPROVAL LETTER AND WHY SHOULD I GET ONE?
The lender issues an approval that states the lender agrees to provide a mortgage to a homebuyer. Commitment letters help you set realistic goals while your house hunting, provide the same negotiating ability as a cash buyer, and enable you to move quickly once the perfect home is found.

WHAT DOES IT MEAN TO WAIVE ESCROWS?
When you waive escrows, you take the responsibility of paying your taxes and insurance rather than having them included in your monthly payments. Waiving escrows may add a small fee to your closing costs. You can only waive escrows on Conventional loans and when the loan to value is 80% or less.

HOW DOES FOR SALE BY OWNER (FSBO) WORK?
Homeowners trying to sell their home without agent representation are hoping to save on commission costs. Most times the homeowner will work with an agent since the agent is introducing a potential buyer to the property.

WHAT IS PITI?
PITI is the principal and interest on the loan, plus the monthly amount for property taxes and insurance (the components of a monthly mortgage payment). This combined figure is used for determining a payment you may be able to afford.

WHAT ARE POINTS OR ORIGINATION FEES?
One point is equal to 1% of the loan amount. Points and origination fees are to buy down the interest rate and are tax deductible on purchase transactions.

WHAT IS PRIVATE MORTGAGE INSURANCE AND IS IT MANDATORY?
PMI is insurance required to cover the lender on a Conventional loan should the borrower default on the home. Eliminate PMI by having a down payment of at least 20% or by obtaining a second lien with an 80-10-10 or 80-15-5 program from another lender. Second lien programs result in two separate payments, one per lender.

WHY DID I RECEIVE LOAN ESTIMATE AND CLOSING DISCLOSURE FORMS?
The Loan Estimate form received within three business days after submitting a loan application will help consumers understand key features, cash to close, monthly payment, and mortgage related risks. The Closing Disclosure form provided three business days before the closing date will help consumers understand and verify the cost of the transaction.

WHAT IS THE DIFFERENCE BETWEEN FHA AND VA LOANS?
The Federal Housing Administration guarantees an FHA loan. FHA issues specific guidelines for mortgages. The Veterans Administration guarantees VA loans. VA loan borrowers must have served in the Armed Forces.

WHAT INSPECTIONS DOES THE LENDER REQUIRE?
A termite report is required on VA appraised transactions. Any infestations must be treated. If the Appraiser mentions or recommends repairs in the Property Appraisal, full repairs will be required before closing.

WHEN WILL I FIND OUT MY FINAL TOTAL COST TO CLOSE?
The lender will prepare the Closing Disclosure detailing the closing figures. After reviewing this statement, you will know your cash to close.

element FUNDING
A DIVISION OF PRIMARY RESIDENTIAL MORTGAGE INC