MemberHomeLoan℠
A CU Alliance, LLC Company

Frequently Asked Questions

Q: **How do I know how much I can afford?**

A: Generally speaking, you can purchase a home with a value of two times your annual household income. However, the amount that you can borrow will also depend upon your employment history, credit history, current savings, current debts and the amount of down payment you plan to make. Give us a call and we can help you determine exactly how much you can afford.

Q: **What is the difference between a fixed-rate loan and an adjustable-rate loan?**

A: With a fixed-rate mortgage, the interest rate stays the same during the life of the loan. With an adjustable-rate mortgage (ARM), the interest changes periodically, typically in relation to an index. While the monthly payments that you make with a fixed-rate mortgage are relatively stable, payments on an ARM loan will likely change. There are advantages and disadvantages to each type of mortgage. The best way to select a loan product is by talking with one of our licensed Loan Officers.

Q: **What is the difference between pre-approval and pre-qualification?**

A: The pre-approval process is much more complete than pre-qualification. For pre-qualification, the loan officer asks you a few questions and provides you with a pre-qualification status. Pre-approval includes all the steps of a full approval, except for the appraisal and title search. It is verification of income and assets.

Q: **How do I know which type of mortgage is best for me?**

A: There is no simple formula to determine the type of mortgage that is best for you. This choice depends on a number of factors, including your current financial profile and how long you plan on keeping your house. We will help you evaluate your profile, give you choices and help you make the most appropriate decision.

Q: **What does my mortgage payment include?**

A: For most homeowners, the monthly mortgage payments include three separate parts:

- Principal: Repayment on the amount borrowed
- Interest: Payment to the lender for the amount borrowed
- Taxes & Insurance: Monthly payments made into an escrow account for hazard insurance, property taxes and sometimes Home Owner Association dues.

Q: **How much cash will I need to purchase a home?**

A: The amount of cash that is necessary depends on a number of items. Generally speaking, though, you will need to supply:

- Earnest Money: The deposit made when you make an offer on the house
- Down Payment: A percentage of the cost of the home that is due at closing
- Closing Costs: Costs associated with purchasing or refinancing a house

MemberHomeLoan℠
A CU Alliance, LLC Company

Q: **What is a rate lock?**

A: A rate lock is a contractual agreement between the lender and buyer. There are four components to a rate lock: loan program, interest rate, points, and the length of the lock.

Q: **What is a good faith estimate?**

A: It is the list of settlement charges that the lender is obliged to provide the borrower within three business days of receiving a complete loan application.

Q: **What are points?**

A: It is an upfront cash payment required by the lender as part of the charge for the loan, expressed as a percent of the loan amount; e.g., "2 points" means a charge equal to 2% of the loan balance.

Q: **What is a pre-qualification?**

A: This is the process of determining whether a borrower has enough cash and sufficient income to meet the qualification requirements set by the lender on a requested loan. A pre-qualification is subject to verification of the information provided by the applicant. A pre-qualification is short of approval because it does not take account of the credit history of the borrower.

Q: **What does APR mean?**

A: Annual Percentage Rate (APR) is the percentage used to figure out the total cost of your loan by taking into account all fees charged by your lender in addition to your loan principle and interest.

Q: **How do you calculate loan-to-value ratio (LTV)?**

A: The LTV ratio of your home is calculated by dividing the fair market value of your home by the financed amount of your home loan.

Q: **What is Mortgage Insurance?**

A: Generally, Mortgage Insurance (MI) is required if the loan amount is 80% or more of the fair market value of the home. MI protects the lender against loss in the event of default. In most cases this insurance can be dropped once the loan amount has been brought down to less than 80% of the home value.