MORTGAGE BASICS

Simple financing facts every homebuyer should know

A little clarity goes a long way.

Mortgage terms can feel overwhelming at first, but the basics are easier to understand than they look. These first five points will help you make sense of how home financing works.

1 What is a mortgage?

A mortgage is a loan used to buy a home. You borrow money from a lender and repay it over time, usually in monthly payments. The home serves as collateral for the loan.

2 Know the parts of your payment

Most monthly payments include principal, interest, taxes and insurance. Some buyers also pay mortgage insurance, HOA dues or flood insurance depending on the property and loan.

PITI stands for principal, interest, taxes and insurance.

3 Understand the down payment

Your down payment is the amount you pay up front. A larger down payment lowers the amount you borrow, but several loan programs allow low down payment or even no down payment for qualified buyers.

4 Fixed rate vs. adjustable rate

A fixed-rate mortgage keeps the same interest rate for the life of the loan. An adjustable-rate mortgage may start lower, but the rate can change later based on market conditions.

5 Choose the loan term

Common loan terms are 15 and 30 years. Shorter terms usually mean higher monthly payments but less total interest. Longer terms often lower the monthly payment but increase the total interest paid over time.

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For educational purposes only. Mortgage programs and qualification requirements may vary.
Please consult a qualified lender for current information.

APPROVAL, OPTIONS AND COSTS

What lenders review and what buyers should compare

6

Credit score and debt-to-income

Lenders review your credit history, income and monthly debt. Your debt-to-income ratio helps show whether the payment fits your overall budget.

7

Pre-approval matters

A pre-approval estimates how much you may be able to borrow based on your documents. It helps you shop with confidence and shows sellers you are a serious buyer.

8

Know the main loan types

Conventional loans are common for many buyers. FHA loans offer flexible guidelines. VA loans help eligible veterans and service members. USDA loans can help qualified buyers in eligible rural areas.

The best loan is not always the one with the lowest rate. Compare fees, mortgage insurance and cash needed at closing.

9

Compare rates, APR and closing costs

Look beyond the interest rate. Compare the APR, lender fees, discount points, estimated monthly payment and total cash needed to close.

10

Final steps before closing

After you apply, the lender may order an appraisal, verify documents and issue final approval. Avoid opening new credit accounts, changing jobs or making large purchases before closing.

Questions to ask your lender

The more you understand up front, the fewer surprises you will face later.
Ask about your payment, your cash to close and whether the rate is locked.

- **What will my total monthly payment be?**
- **How much cash do I need to close?**
- **Is this rate locked, and for how long?**

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