105 Mortgage FAQs: A Guide for First Time Buyers & Experienced Investors

From loan types, down payments and credit history to refinancing and mortgage payments (and everything in between), we have you covered.

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Everything You Need to Know About Securing a Mortgage

Buying a home (or even refinancing your current one) should be exciting, but the process can certainly be challenging and overwhelming. There's a lot of information out there, and you probably have at least a few questions about types of mortgages, credit history, down payments and much more (especially if you're a first time home buyer!) In this comprehensive guide, you'll find everything you need to know — from mortgage basics and the people you need on your team to refinancing and loan payments.

Mortgage Basics

1. **Q: What is a mortgage?**
   A: A mortgage is a loan from a financial institution or bank that helps a borrower purchase a home. In exchange for the loan, you are obligated to pay the amount of money back with interest over a predetermined period of time, and your home is used as collateral to ensure this happens.

2. **Q: How do I know if I even qualify for a mortgage?**
   A: It's a good question, and an important one. In order to know if you can afford a mortgage, you need to get prequalified. This happens early on in the process and indicates your general creditworthiness to potential sellers. This can also happen very quickly. Prequalification allows mortgage brokers and banks to verify your credit, income, assets and liabilities, which determines how much you can afford to spend on a home.

3. **Q: What are the benefits of owning versus renting?**
   A: A home is a long-term investment that can help you build equity. Mortgage interest is also tax deductible, and your payments will stay the same (if you have a fixed-rate mortgage) instead of fluctuating rent prices that can change annually. Plus, home ownership is something to take pride in!

4. **Q: Is the mortgage process the same in every state?**
   A: Generally speaking, the process is the same. There will be slight differences in fees and timing of when things occur, but otherwise it's pretty similar.

5. **Q: Who are Fannie Mae and Freddie Mac?**
   A: The Federal National Mortgage Association is known as Fannie Mae and Freddie

Mac. Created by Congress, they “provide liquidity, stability and affordability to the mortgage market,” according to the Federal Housing Finance Agency. Fannie Mae typically buys home mortgage loans from commercial banks. Freddie Mac buys mortgage loans from smaller banks and lenders.

6. **Q: Are the mortgage requirements different for an investment property, or a property I might not be personally living in?**
   A: The short answer is yes. If you’re purchasing a property that won’t be your primary residence (with between one and four units), you fall into what’s called a non-owner occupied mortgage. Requirements for this type of loan are more stringent because they’re considered to have a higher risk of default by lenders.

7. **Q: Is it possible to have two mortgages?**
   A: If you meet the requirements from your lender, the answer is usually yes. The purpose of the second property will likely impact whether you qualify for a second mortgage. If you’re planning on using it as a second home, you’ll probably face the same terms as when you applied for your first mortgage. If you’re looking to rent out the second property, the requirements will be more rigorous. In both cases, it’s important that you can meet the payments for the two properties.

8. **Q: I’m considering buying a home and using some (or all of it) as a rental property, but I’ve never rented property to someone before as a landlord. Am I able to apply the expected rental income to my total income profile when calculating the amount of mortgage I’m eligible for? If not, how many years of “landlord experience” do I need in order to apply rental income toward my mortgage?**
   A: The answer to this question can be complicated and ultimately depends on the mortgage product. See below:

- **Fannie Mae (conventional):** You do NOT need prior landlord experience to use 75% of lease.
- **Freddie Mac (conventional):** You need 2 years of landlord experience to use 75% of lease.
- **FHA:** You do NOT need prior landlord experience to use 75% of lease.
- **USDA:** Not allowed.
- **VA:** Not allowed.

Common Types of Loans

8. **Q: What is a conventional mortgage?**
A: This refers to a loan that conforms to the guidelines set forth by Fannie Mae and Freddie Mac. Conventional mortgage borrowers must meet or exceed these guidelines.

10. **Q: What is a non-conventional loan?**
A: Borrowers can be rejected for conventional loans for any number of reasons, including being self-employed, a history of bankruptcy, unsteady employment history or insufficient cash reserves. Non-conventional loans cater to borrowers who may have been rejected for these reasons.

11. **Q: What is an adjustable-rate mortgage?**
A: This refers to a mortgage with an interest rate that changes periodically (also known as a variable rate mortgage).

12. **Q: Is the rate fixed for any length of time on an adjustable-rate mortgage?**
A: Typically an adjustable-rate mortgage will remain fixed for a number of years before adjustments begin. The time period could range from 1 month to 5 years, depending on the terms.

13. **Q: How are adjustments determined on an adjustable-rate mortgage?**
A: Adjustments are determined by the performance of certain financial indexes, and the rate may fluctuate up or down. Once the adjustment periods begin, the rate will typically be adjusted every year.

14. **Q: What are the benefits of an adjustable-rate mortgage?**
A: With an adjustable-rate mortgage, you will often have a lower initial rate than a fixed-rate mortgage. Also, if the rates fall, you don't have to go through the refinancing process, which means you don't have to pay closing costs and fees. Be aware, however, that rates can also increase.

15. **Q: What is a fixed-rate mortgage?**
A: A fixed-rate mortgage (FRM) is a mortgage with an interest rate that is constant for the life of the loan. Typically you'll see fixed-rate periods of 10, 15 or 30 years with interest rates increasing with longer loan periods.

16. **Q: Should I choose a fixed-rate or adjustable-rate mortgage?**
A: There are certain factors to consider when deciding between the two. First, think about how long you plan to live in your home. An adjustable-rate mortgage makes more sense if you only plan to live in your home for a few years. It's also important to think about whether you'll still be able to afford your monthly mortgage

payments if the interest rate drastically increases. If you're looking to avoid a fluctuating rate, opt for a fixed-rate mortgage.

17. **Q: What is a jumbo mortgage?**
A: A jumbo mortgage is a loan exceeding the loan limit set forth by Fannie Mae and Freddie Mac. Jumbo loan interest rates and down payments are typically higher than those on conforming loans.

18. **Q: Are the requirements different for a jumbo loan?**
A: Yes. The requirements for a jumbo loan are stricter because more money is involved, which means it's riskier for the lender. You will need an excellent credit score and a low debt-to-income ratio. You will also need to be able to prove you can cover your payments.

19. **Q: What is a non-conforming loan?**
A: These loans do not meet the borrowing guidelines established by Fannie Mae and Freddie Mac. This type of loan may be available to borrowers who otherwise don't qualify for a conventional loan.

20. **Q: What is a home equity loan or a home equity line of credit?**
A: A home equity loan or home equity line of credit (HELOC) are mortgages that enable you to borrow against the value of your home, minus your remaining mortgage, by using your home as collateral.

21. **Q: What are the differences between a home equity loan and a HELOC?**
A: A home equity line of credit is similar to second mortgage, which enables you to access the loaned funds at any time you choose, instead of all at once. You should think about a HELOC if you need money for other items, such as college or credit card payments. You can borrow during the "draw period," which is usually 5-15 years. The repayment period is about 10-20 years.

22. **Q: What are the advantages of a home equity loan?**
A: A home equity loan typically features lower and fixed interest rates, and it's typically easier to qualify. Your monthly payments will also be more affordable, and your taxable income will be lower.

23. **Q: What are the disadvantages of a home equity loan?**
A: It's important to remember that since a home equity loan uses your home as collateral, failure to make loan payments means you could lose your home to foreclosure. Also, depending on the lender, you could pay application fees, appraisal fees, underwriting fees and more. Lastly, be mindful of the fact that borrowing against your home's equity decreases your potential return on investment, which would negatively affect your ability to make a down payment on your next property.

24. **Q: How do I know how much equity I have in my home?**
A: Equity refers to the current market value of your home minus the total amount you owe on your mortgage.

25. **Q: How can I determine the market value of my home or a potential property?**
A: Have your local mortgage company send a licensed appraiser out to appraise your home.

Government Loans

26. **Q: What is VA loan?**
A: The U.S. government offers different types of loan to those who qualify. Loans from the U.S. Department of Veterans Affairs (VA) are available to qualified members of the armed services and typically have more favorable interest rates and conditions.

27. **Q: What is an FHA loan?**
A: A Federal Housing Administration (FHA) loan is a low down payment option that's ideal for borrowers who may not otherwise qualify for a mortgage or borrowers with less-than-perfect credit. Features of the loan include a fixed or adjustable rate, limited closing costs and no prepayment penalty.

28. **Q: What is a USDA loan?**
A: A United States Department of Agriculture (USDA) loan refers to a government loan for home buyers to purchase homes in rural or low-population areas.

Your Down Payment

29. **Q: What is the typical down payment for a mortgage?**
A: A down payment is the initial payment by the borrower on the loan, which is due at closing. In most cases, lenders require at least 5% to 15% down, although the standard is usually 20%. If you put down less than 20%, you will need private mortgage insurance (see page XX). The bottom line: The more money you put down, the lower your monthly payments will be.

30. **Q: Are there any loans that don't require a down payment?**
A: USDA and VA loans do not require a down payment.

31. **Q: Is there a minimum amount of money someone else can contribute to help me with my down payment?**
A: A lot of borrowers aren't always able to come up with the funds needed for a

down payment on their own, which is why many mortgage loans allow for gift contributions from family and friends. Just make sure to read the fine print. While some conventional and unconventional loans allow you to receive gift contributions with no strings attached, others either have more strict requirements or don't allow contributions at all.

32. **Q: Can I use a 401(k) loan as part of my down payment?**
A: Because the money needed for a down payment is not always easy to come by, lenders of all types allow borrowers to apply money from a 401(k) loan to the down payment and closing costs.

33. **Q: Is it ever a good idea to put down less than 20% even if I can afford more?**
A: Yes, it is fine to put less than 20% down. In most cases, the cost of PMI is the lowest it has been in years, making a lower down payment a more financially attractive option.

34. **Q: If I already own a home and want to purchase a second property, is there a minimum amount of money I will need for a down payment?**
A: Down payment requirements on second homes are more stringent for borrowers compared to when they bought their first home. Requirements vary depending upon the conventional mortgage product but are not allowed for unconventional mortgage loans. See below:

- **Fannie Mae (conventional):** Minimum requirement is 10% down (90 Loan-to-Value ratio max)
- **Freddie Mac (conventional):** Minimum requirement is 15% down (85 Loan-to-Value ratio max)
- **FHA, USDA and VA:** These loans will not finance a second home; they are only used for primary residence loans.

35. **Q: If the house I'm buying appraises for higher than what I've agreed to pay for it, does this unexpected equity in the home mean I can apply it toward my down payment and therefore put less of my own money down?**
A: While it's always great for the property appraisal to come back higher than the amount you agreed to buy it for, this in no way affects the loan amount you need to qualify for or the down payment you need to close on the loan. Both conventional and unconventional mortgage products offer similar requirements. If you're in a situation where the home you're buying appraises for more than your agreed-upon purchase price, sit tight and be patient. It's in your best interest to wait a few months and talk to an experienced mortgage broker about your options.

Mortgage Rates

36. **Q: How often do mortgage rates fluctuate?**
A: Rates are constantly changing weekly, daily and even hourly. The main factors for this flux are the state of the economy, inflation and the Federal Reserve Board. While these things are out of your hands, you can control your credit score, which has a definite impact on your interest rate.

37. **Q: What does "locking in a rate" mean?**
A: At the time of your loan application, you will want to lock in your interest rate and loan terms for a specific amount of time — usually 30, 45 or 90 days. Locking in an interest rate protect you in case the rate increases.

38. **Q: What are the difference between 10, 15 & 30-year fixed rates?**
A: These are the most common loan periods. If you have a shorter loan period (10 years as opposed to 15), your interest rate will be lower, but you'll have higher monthly payments.

39. **Q: What if the interest rate goes down in a few years? Can I change the terms of my loan?**
A: If you want to take advantage of low interest rates, you'll need to go through the refinancing process (for more information, see page XX). This might make sense if the rate significantly decreases, but keep in mind that you'll still need to pay to go through the refinancing process (including paying fees and closing costs), so it needs to make sense financially.

Key Players

40. **Q: What is the difference between a buyer's and seller's agent?**
A: Buyer's agents are licensed real estate professionals who are responsible for searching, evaluating and negotiating the purchase of a property on a buyer's behalf. They don't sell real estate, but they help real estate deals come to fruition. A seller's agent, on the other hand, represents the interests of a person who is selling a piece of real estate.

41. **Q: How is a mortgage broker different than a bank?**
A: A mortgage broker acts as the middleman and works with numerous lenders to help buyers shop for a loan. They are usually paid a commission by the lenders — not the borrowers. Working with a broker can save you time since they will shop for the best rate on your behalf. If you choose a bank, your options are limited to going with the rate the bank provides.

42. **Q: What is a loan officer?**
A: A loan officer works for a mortgage broker or bank. Also known as a mortgage loan originator, this person's primary responsibilities include recommending applicants for mortgage approval and acting as an intermediary between the borrower and the lender.

43. **Q: Do I need a real estate attorney at any point?**
A: An attorney is required in some states, but not all. Your real estate agent and loan officer can provide more information as to whether you should consider legal representation if it's not required. A licensed real estate attorney will make sure everything you're signing is in your best interest.

44. **Q: Who else is involved in the process?**
A: In addition to the real estate agents and your broker or lender, you will also deal with an underwriter, a financial expert who formally reviews your file and verifies your information. An appraiser will establish the worth of the property, and a title company will make sure that the title is provided to the home buyer when the home buying process is complete.

The Mortgage Loan Process

45. **Q: Before I even begin, how do I know which loan program and rate are right for me?**
A: The process can be overwhelming, but your loan officer will be able to answer your questions and find the best program to fit your needs. They'll help you choose the lifespan of your loan, understand the relationship between rates and points and help you calculate risks and rewards.

46. **Q: What's the first step in the mortgage loan process?**
A: The first step is to meet with your mortgage broker. During this meeting, you can ask questions about the financial aspects of your real estate transaction, and the broker will make you aware of the variety of programs they offer to best fit your situation. Your lender should also provide you with a list of documents you'll need in order to move forward with the approval process.

47. **Q: Do I need to find a home before I apply for a loan?**
A: It certainly doesn't hurt to browse, but if you're serious about buying a home, it's best to pre-approved before you start house hunting. Being pre-approved tells the realtors involved that you're able to buy a home (which means you won't be wasting anyone's time), and it will give you a good idea of what you can afford.

48. **Q: How many years of income do I need to show if I'm a self-employed borrower?**
A: A lender will always require that you provide proof of income as part of your mortgage application. For example, personal/business tax returns, pay stubs or W2s give a lender an up close and personal view of your finances, which is important when determining just how much money you can qualify to borrow. How far in the past you'll need to go to get your bank statements ultimately depends on the mortgage product. See below:

- **Fannie Mae (conventional): 2 years (personal and business returns)**
- **Freddie Mac (conventional):** 1 year (personal and business returns)
- **FHA:** 2 years
- **USDA:** 2 years
- **VA:** 2 years

49. **Q: What does the actual loan application involve?**
A: When you submit an application, the mortgage broker will work with their lenders to determine certain things about you, including:

- **Income**
- **Stability of employment**
- **Amount of other debts you currently have**
- **Affordability of your new mortgage payment**
- **Source of your down payment**
- **Past credit history**
- **Value of the property you would like to purchase or refinance**

50. **Q: How many months of bank statements do I have to provide?**
A: A lender will always require you to provide bank statements as part of your mortgage application. Bank statements allow lenders to closely examine your finances, which is crucial when determining just how much money you can qualify for.

51. **Q: If I'm purchasing a property on a private road that is not maintained by the local municipality, do I need a Private Road Maintenance Agreement with my neighbors in order in order to qualify for a mortgage?**
A: This question comes up most often when the property in question is located in a rural area. Believe it or not, it's not rare for the lack of a Private Road Maintenance Agreement to halt or hinder a borrower from getting approved for a mortgage loan. Some mortgage lenders are far more stringent on their requirements than others. An agreement is required for Fannie Mae and Freddie Mac (conventional) and VA loans. It's not required for an FHA loan, but you will be asked to provide a recorded loan easement. For USDA loans, requirements are determined on a case-by-case basis.

52. **Q: What is a loan approval letter?**
A: Once your application is approved, you'll receive a loan approval letter from the lender, which will likely include some conditions such as:

- **Supplementary documentation:** If you aren't able to provide credit history, some loan programs may ask you to provide proof of utilities, cable, etc.
- **Explanation of irregularities:** You may be asked to explain variations in your credit report.
- **Verification:** You may be asked to verify your employment and income or housing and rental history.

53. **Q: What is private mortgage insurance?**
A: Private mortgage insurance, also known as PMI, is usually required if your down payment is less than 20% of the purchase price. Fees can vary greatly, but the average premium is 2.5% of the mortgage with a portion of the total premium due at closing.

54. **Q: Do I have to pay mortgage insurance for the life of the loan?**
A: Yes and no. It ultimately depends on whether you use conventional or nonconventional financing. For Fannie Mae and Freddie Mac (conventional) loans, PMI will drop off once the loan balance reaches 78% of the original purchase price. PMI will remain for the life of a FHA, USDA or VA loan. There are a few circumstances when FHA PMI will drop off after 11 years. Please contact a mortgage expert for more information.

55. **Q: What are mortgage points?**
A: You can buy points to lower — or "buy down" — the interest rate of a loan in exchange for an amount due at closing (usually a percentage of the principle of the loan.) This can be helpful to make monthly payments more affordable.

56. **Q: What is an escrow account?**
A: An escrow account refers to money, funds and other assets that are held by a third party on behalf of two other parties.

57. **Q: I've heard of the term debt-to-income ratio. What does it mean exactly?**
A: To find your debt-to-income (DTI) ratio, take the total of monthly debt payments (credit cards, loans, a mortgage, etc.), divide that number by your gross monthly income, and multiply by 100. A low DTI means you have a good balance.

58. **Q: My ex-spouse got our home in the divorce, but my name is still on the mortgage. Do I have to factor that housing expense into my debt ratio when going to buy another house?**
A: If you were a co-borrower who is now divorced, and your ex-spouse got the home in the divorce settlement, you should be able to omit that debt when going to apply for a future home mortgage loan. To have one spouse's name on a mortgage after a divorce, your ex-spouse will need to refinance. This is because even if you're able to omit the debt from your credit profile, you will still be responsible if you ex-spouse starts missing payments and/or goes into foreclosure on the home.

While both conventional and unconventional mortgage products allow you to omit this debt, you will inevitably need official documentation of this agreement in your divorce settlement. Under Fannie Mae and Freddie Mac conventional loans, FHA, USDA and VA loans, the debt can be omitted with a court order or divorce degree stating that your ex-spouse is responsible for the payment and proof that a quitclaim deed has been recorded, transferring sole possession to the responsible party.

59. **Q: How do open charge cards impact my debt ratio?**
A: Traditional revolving credit cards in which your credit continually revolves month-to-month have a varying impact on your debt ratio. It all depends on the balance of the credit card when a lender pulls your credit. An open charge card, such as an AMEX, is very different. Open charge cards must be paid off in full each month. So for instance, if you typically charge $10,000 to your open charge card each month, but always end up paying it off, do you have to factor in the $10,000 monthly payment to your debt ratio? The answer is generally: No, provided you're able to prove you can afford this debt, as well as satisfy a few other requirements. It's best to contact your mortgage broker for more information.

Credit History

60. **Q: How do I know my credit score?**
A: When you apply for prequalification, your lender or broker will run a hard credit check. A score of at least 700 is considered a good credit score, and 800 or above is considered excellent.

61. **Q: Should I dispute any accounts listed on my credit report?**
A: You have the ability to dispute anything listed on your credit report, but it's important to only dispute something that you know is wrong — not just because you aren't sure. When you dispute something, it's usually temporarily removed from your credit profile and may not be obvious to an underwriter. This could potentially cause headaches down the road when the underwriter learns about the dispute.

62. **Q: Is obtaining a mortgage a problem if I don't have a great credit history?**
A: A strong credit history is helpful when applying for a home mortgage loan. The strength of your credit is based on many things — including the number of accounts you have and how long you've held them. A borrower with a weak credit history and few or no accounts will likely have a more difficult time getting approved for a mortgage.

63. **Q: Can I still receive a loan if I have poor credit?**
A: Even though a poor credit score can mean some challenging times ahead, it doesn't mean securing a loan is impossible. The first few steps to getting approved:

- **Resolve any lingering issues related to your credit history**
- **Find the right type of mortgage that fits your financial situation**

64. **Q: Can I exclude existing debts listed on my credit profile if my business partner pays for them each month?**
A: This is a common question for self-employed borrowers. For example, a borrower who received a loan for a truck in their own name (but pays for the truck using money from their business), may think they don't have to include the debt in their mortgage application. This is true for some mortgage loans, but you will need to produce a lot of documentation, such as months of cancelled checks, a CPA letter and more, to be approved. Your lender or broker can provide more specifics.

65. **Q: I have a higher credit score than my partner/spouse. Can we just use my score?**
A: No. If you and your partner are both applying for a home mortgage loan, an underwriter will determine the middle score of both borrowers and use the lower of the two middle scores.

66. **Q: Can we use my partner's income but my credit?**
A: No. If you are the borrower on the loan, your credit will be used to determine the applicable interest rate. You can't mix and match, and this is true for all mortgage loans.

67. **Q: If in the middle of the process I've been told my debt ratio is too high to qualify, can I then pay off credit cards to better qualify?**
A: Paying off your credit cards prior to applying for any home mortgage loan is always a good idea; however, it's very common that a borrower will learn in the middle of the loan processing that they may need to lower their debt-to-income ratio in order to better qualify for the mortgage loan.

Buying Foreclosed & Short Sale Homes

68. **Q: What's the difference between a short sale and a foreclosure?**
A: Sometimes a homeowner opts for a short sale, which is also known as a "pre-foreclosure sale." This is when they need to move and owe more than the house is worth. Other times, a homeowner may try and sell their home through a short sale in order to avoid a foreclosure, which is when the lender takes over ownership of the home.

69. **Q: Are there any advantages to buying a short sale home?**
A: If you're a buyer looking for a bargain, a short sale is an option worth considering since sellers typically want to get rid of the property and are more apt to make a deal. Just keep in mind that this may be a lengthy process, and there's always the chance that the property can still go into foreclosure during that time.

70. **Q: What about buying a foreclosed home?**
A: Similar to a short sale, the advantage of buying a foreclosed home is the lower price, but remember that the home may be in poor condition, and the process can also be a lengthy one.

71 **Q: Is the mortgage loan process any different if I buy a short sale or foreclosed home?**
A: No. The borrower's financing is no different when purchasing a short sale or foreclosure property.

Tips for First Time Home Buyers

72. **Q: How do I figure out how much house I can afford?**
A: There are plenty of mortgage calculators online that can help you crunch the numbers, but the pre-approval process will give you a good idea of how much house you can afford (and how much your monthly payments may be). The main factors include your monthly income, monthly expenses, what you can afford as a down payment and housing and closing costs.

73. **Q: Should I do anything before I start house hunting?**
A: One of the most important steps in the home buying process takes place before you even look at your first home. It's important to make time in your schedule to carefully review your finances. Some questions to consider:

- **Do you have any outstanding debts that need to be paid?**
- **How much can you spend on a home?**
- **Do you have enough money for a down payments?**
- **Are you prepared for the unexpected costs of home ownership?**

74. **Q: Do I have to provide canceled rent checks if I'm a first time home buyer?**
A: When it comes to first time home buyers applying for conventional loans, the answer is typically no.

75. **Q: Can I exclude debts that I co-signed?**
A: This question is common, especially for parents who have co-signed for a car or student loan for one of their children. If you're a co-signer on a loan, and you're looking to get approved for a mortgage, you may be able to exclude that debt provided you meet certain criteria.

76. **Q: Can I afford a mortgage despite carrying student loan debt?**
A: It's not a secret that having a mortgage plus student loan debt is challenging, but with thorough planning and discipline, it's possible. The keys to affording a mortgage while also paying off student debt include managing your debt-to-income ratio, reducing monthly payments, adjusting your student loan and maintaining good credit. The actual amount of your student loan debt that will be factored in to your debt-to-income ratio depends on the mortgage product.

77. **Q: What are some common mistakes first time home buyers make?**
A: Becoming a homeowner can be filled with hidden and unexpected challenges if

you're unprepared. Common mistakes include buying a house before you're ready, being unrealistic about your budget, underestimating the cost of homeownership, not saving enough for emergencies, not taking your credit score seriously enough and not exploring different mortgage options.

78. **Q: What do I need to know about homeowners insurance?**
A: Homeowners insurance is required as a condition of a mortgage. It's important because it protects the home from various hazards such as fire and smoke damage, weather-related damage, theft of property, vandalism and more. Homeowners insurance also protects the lender's interest in the home.

79. **Q: I saw the term hazard insurance on my estimate. What does it mean?**
A: Hazard insurance is simply another way of saying home insurance.

80. **Q: Are there any tax benefits to a mortgage?**
A: In most cases, you can deduct your mortgage interest each year. If you took out a mortgage after December 15, 2017, the interest is fully deductible up to the first $75,000 of the mortgage.

Closing

81. **Q: How long will it take to process my loan?**
A: It depends, but the standard is anywhere from 30 to 90 days.

82. **Q: What are closing costs?**
A: The closing point of a real estate transaction happens when the title of the property you're applying for is officially transferred from the seller to the borrower. Closing costs includes attorney fees, broker fees, title fees and more. Depending on the type of mortgage, closing costs may or may not be included in the loan amount.

83. **Q: What is an origination fee?**
A: An origination fee, which may also be referred to as a processing fee, is part of the closing costs and covers the cost of processing the loan.

84. **Q: How much should I expect to pay?**
A: Home buyers typically pay an average of 2 to 5 percent of the purchase price of their home in the closing process. These final costs are going to be determined by your loan amount, mortgage option, type of property, and your city, county or state residence.

85. **Q: Can we roll closing costs into the loan on a purchase?**

A: This is a common misconception in the mortgage industry. If you've heard about a person who was able to do this, it means that person was able to secure either one of two things: 1) a seller credit, which is when the seller agrees to pay the costs because they sold the house at more than market value, or 2) lender credit, which is when a lender will pay the closing costs in exchange for a higher interest rate.

86. **Q: Can you switch mortgage lenders before closing?**
A: You deserve the best, and you have a right to switch brokers or lenders at any point before closing on your loan. You may want to switch due to lower interest rates, unexpected fees, a timeline that doesn't suit yours or changes in personnel. Keep in mind, though, that switching lenders can result in delays and another credit check.

87. **Q: Is there anything I should keep in mind after closing?**
A: Closing on a home mortgage loan is a big deal. This might also be a good time to begin (or continue) planning for the future by creating a financial planning checklist. Have you thought about life insurance, creating a trust, hiring a financial planner or establishing a 401(k)? Your lender or broker may be able to recommend tax attorneys, accountants, certified financial planners or other professionals who can help ensure that your life remains on track after closing on your mortgage.

88. **Q: Am I allowed to get a gift for closing costs and a down payment? If so, who am I allowed to accept gifts from?**
A: Yes. Lenders these days realize that coming up with the money needed for a down payment or closing costs is no easy task, which is why many borrowers are permitted to factor in monetary gifts with their own contributions. While it's perfectly acceptable to accept a monetary gift, you are only allowed to accept these gifts from certain donors. Who the donor is depends upon the mortgage product. See below:

- **Fannie Mae (conventional) and Freddie Mac (conventional):** Acceptable donors include family, fiancée or domestic partner. Friends are not allowed.
- **FHA:** Acceptable donors include family, fiancé or domestic partner. Friends are also allowed; however your relationship must be a clearly defined relationship.
- **USDA and VA:** Contact a mortgage expert for more information.

Refinancing

89. **Q: What is refinancing?**
A: Refinancing is when a homeowner takes out a new home loan to replace their existing one. The new loan then pays off the initial mortgage loan.

90. **Q: When does it make sense to refinance?**
A: There are many reasons to consider refinancing, including:

- **Your credit has improved, meaning you may be able to get a better rate even if rates haven't gone down**
- **You want to take advantage of low interest rates**
- **Your financial situation has changed**
- **You're looking to consolidate your other types of debt**
- **You're thinking about making home improvements or repairs**

91. **Q: What does the refinancing process look like?**
A: The process of refinancing your mortgage will be similar to when you first applied. First, you should obtain quotes from lenders and see what you prequalify for. Once you've determined that refinancing is an option you'd like to pursue, you'll need to provide specific documents to the lender to begin the application process for the new loan. In the end, you may select a different lender or broker from your original one.

92. **Q: What are the benefits of refinancing?**
A: Depending on your goals, refinancing your home can reduce your monthly payments and help you realize significant, long-term savings. Refinancing will also update your loan terms, meaning you may be able to move from a 30-year loan to a 25-year loan so you can pay off your loan and own your home that much sooner. By reducing your terms, you're also lowering the amount of interest you must pay to the lender.

93. **Q: What does refinancing cost?**
A: Typically the closing cost of refinancing is between 1% and 2% of the loan amount with lender fees included.

94. **Q: How long does the refinancing process take?**
A: The process typically takes anywhere from 30 to 45 days, but every situation is different and can be shorter or longer. The length of time may also depend on the size of your property and the current state of your finances.

95. **Q: Can I refinance 100% of my home value?**
A: In rare cases, yes, but it's best to consult with a mortgage expert. Most people who are refinancing have equity in their home to help them with the refinance.

96. **Q: What does cash-out refinancing mean?**
A: This is when you borrow more money than is owed on your existing mortgage, and you receive the difference in cash. Some borrowers choose this option to finance home improvements, pay off credit card debt or pay for college expenses.

97. **Q:** What is the 1% rule, and is it useful?
A: The 1% rule states that it's best if the rate will drop by at least 1% if you're considering a refinance just to get a lower rate.

Paying Off Your Mortgage

98. **Q: Can I make mortgage payments online?**
A: Yes. This is probably the easiest option for your monthly payments. You can set up a recurring payment directly to your lender or through your bank.

99. **Q: Is it OK if I have a payment plan with the IRS?**
A: This question is very common, especially since the IRS has become more and more involved in the underwriting process. These days, underwriters have begun to dig in to a borrower's financial history and have focused on whether or not there are any unpaid debts owed to the IRS. This is why it's in your best interest to report any IRS payment plans before getting too far in to the mortgage process. If you don't, discovery of the debt could potentially impact whether you get approved for a mortgage loan or not. Ultimately, whether or not you're eligible for a mortgage loan despite having an IRS payment, and whether that monthly debt is factored into your debt ratio, depends on the mortgage product.

100. **Q: How can I pay off my mortgage earlier than expected?**
A: There are also small, strategic ways you can chip away at your loan, such as rounding up your payment each month or ditching those daily coffee runs and adding $25 or $50 to your monthly payments. You can also pay a lump sum or refinance the length of your mortgage terms. Conventional and government loans don't have pre-payment penalties, so you don't have to worry about paying extra, but you might find pre-payment penalties with non-conforming/portfolio-type loans. It's best to check with your mortgage servicer to be sure.

101. **Q: What happens if I want to sell my home before my mortgage is paid off?**
A: Don't worry — this is common because many people have to move or want to sell before their mortgage is paid off. When you sell your home, the goal, of course, is to sell it for more than you paid. You'll use that money from the sale to pay off your mortgage. If you don't make enough to cover the mortgage, you'll have to make payments to pay off the rest of the loan.

102. **Q: What happens if I can't make my monthly mortgage payments?**
A: Many lenders offer a grace period so that you can make your payment without penalties or late fees. After 15 days, you'll be charged a late fee, and your loan will go into default after 30 days. At that point, the lender will start to report your overdue payments.

103. **Q: When does the foreclosure process start?**
A: Foreclosure is when the lender takes control and ownership your home and removes you from the property. This typically occurs 120 days after the borrower hasn't made any monthly mortgage payments.

104. **Q: What happens if I have questions about my mortgage years later?**
A: A reputable lender will always be available to help and answer your questions — no matter if it's one week or 10 years after you sign your mortgage.

105. **Q: What happens once my mortgage is paid off?**
A: Congratulations! Once you pay off your mortgage, you will receive documentation from your lender or broker. You will then need to notify your local records office in order to receive your deed of trust.

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