

Mortgage Terminology to Know Before Locking into a Loan

Whether you are a new home buyer or looking to refinance a loan that you are already locked into, consumers agree that mortgage and loan terminology can often be confusing and sometimes overwhelming. Along with having to shop for a lender, consumers also have to shop and compare the total cost of the loan, including the interest rate, fees, points, prepayment penalties, the loan term and more. When making one of the most important financial decisions of your life, knowledge is key, if you need assistance in locating and understanding Mortgage Terminology, go to www.RonSellsAlabama.Com open '[helpful information](#)' and open '[mortgage information](#).' You will find Titles such as; 1) Mortgage 101; Good Faith Estimate; Private Mortgage Insurance; How much mortgage can you obtain with your current Income and Debt; MORTGAGE Glossary; What should your Mortgage Lender tell you; 2). Open '[First time home Buyers](#)' and open "[Buying Tips & Mortgages](#)," And if you would like having two Real Estate sources for **Real Estate Lingo** and **Glossary**, open 'Real Estate Glossary' and open either or both of the above titles. You may be interested to visit www.RonSellsAlabama.Com and look into "[Ron's Weekly Mortgage Update](#)." This link may be found in either '[Real estate glossary](#),' '[Resource Community Page](#),' or '[Mortgage information](#).'

Below are a few mortgage terms and term details to know before locking into a loan.

Interest Rates

One of the first and most obvious terms to consider is the loan's interest rate. The interest rate is used to calculate your monthly payments and will determine how much you'll pay over the life of the loan. When comparing your mortgage options, take a close look at the annual percentage rate (APR). This figure combines the yearly interest costs and other fees charged by a lender over the life of the loan. Contact Ron and/or the mortgage company of choice for an itemized list of what is included in each APR calculation for your new loan scenarios so that we can help you make a fair mortgage program comparison. Visit either '[Real estate glossary](#),' or '[Mortgage information](#).' If you wish to have more information on APR please send Ron an e-message with your question and we would be happy to respond.

Points

Points are a type of pre-paid interest issued by the lender as an alternative to charging higher interest rates on the loan. **One point is equal to one percent of the loan principal (the actual amount of your loan)**. If you opt to finance your home at a lower interest rate, the discount points are often paid at the time of closing. Consumers looking to live in their home for 10 to 20 years or longer may find that having more points with a lower interest rate will pay off over time whereas consumers who only plan to live in their home for 5 to 7 years may find a loan with a higher interest rate and fewer points the better option. Visit either '[Real estate glossary](#),' or '[Mortgage information](#).' If you wish to have more information on POINTS, please send Ron an e-message with your question and we would be happy to respond.

Closing Costs

Processing a mortgage application can be time consuming and costly. Typically this process takes anywhere from two to eight weeks, however many Lenders having all current information from the Applicant needed, including the appraisal the process should be able to be completed within one week of the application.

Avoid any mortgage closing delays by paying off unnecessary debt and checking your own credit file or "Purchasing Anything" a few months before shopping for your mortgage and after you have been approved for a loan, and this continues until after the loan closing!

Once you've shopped, compared and closed on your mortgage, expect to accrue additional lender fees. Closing costs, which may consist of title insurance costs, lender attorney fees, appraisal fees and more, can add thousands of dollars to your borrowing costs. When shopping for your lender, work with a reliable and trustworthy mortgage originator and ask for a good faith estimates (GFE) of the lender closing costs and fees. Lenders aren't required to provide a **GFE of settlement charges** before the borrower applies for the loan, federal law does require them to provide it three days after. However, you can ask for the mortgage originator for the cost of doing business with them, before you proceed. If the mortgage originator has nothing to hide, they will be willing to print a cost sheet of their normal closing costs. Work closely with the Mortgage Company and the Originator, and take the time to scrutinize each estimate and define each closing cost fee so that you can make an informed and educated decision. Have doubts of the costs, ask **Your REALTOR®**!

The Loan Term

When shopping for a mortgage program that will fit your current and anticipated finances it is important to understand the number of years your loan will be active. Typically, mortgages with shorter terms carry higher monthly payments, while mortgages with longer terms spread payments out over the long life of the loan. Consumers who can afford the high monthly payments of a short term loan can save a lot of interest over time.

If you are interested in knowing more about the different mortgages and how you can safely payoff your mortgage without getting yourself into trouble if a critical/crucial time arises in your life, Ron helps all his Clients know and understand the different possibilities completing such without placing themselves into troubles.

Prepayment Penalty

Loans with longer terms may seem affordable now, but what happens when your financial outlook changes and you'd like to refinance before the term is complete? Paying your loan off too early may result in a prepayment penalty or fine.

Having a general understanding of the mortgage business and what goes into a home loan will ensure that you properly compare your loan options. Working with an experienced REALTOR® and Mortgage broker enables you to shop thoroughly and determine the best mortgage program for your specific financial needs.

Do not hesitate to contact Ron for representation concerning real estate selling and/or purchasing and locating the best possible mortgage for your particular needs. **Why is this important to Sellers?** Having solid mortgage plans available and ready for potential Buyers, will help your sale process smoothly and quickly.

Compliments from: **Ron Hidalgo, REALTOR®/Broker** Since 1984 and associated with



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