# Mortgage Frequently Asked Questions

Below you will find answers to many frequently asked questions about loans and mortgages.

### What types of Mortgages does Bethpage Federal Credit Union have?

Bethpage Federal Credit Union offers Fixed, Adjustable, Jumbo and Conforming mortgages. For a full listing **click here**

### Can I get pre-qualified or pre-approved for a home purchase loan before I've found my property?

Absolutely! However, you should not confuse a pre-approval with a prequalification.

During the pre-qualification process, our Mortgage Loan officer will ask you a few questions and hand you a pre-qualification letter. The pre-approval process is much more complete.

During a pre-approval, our Mortgage Loan Officer does all the work of a full-approval, except for appraisal and title search. When you are pre-approved, you become like a cash buyer and have more negotiating leverage with the seller. In some cases (especially in multiple-offer situations), having a pre-approval can make the difference between buying a home and not buying a home. In other instances, home buyers have been able to save thousands of dollars as a result of being in a better negotiating situation.

### Can I make changes to my application?

Yes, you can make changes during the loan process. Keep in mind that any changes you make may extend the time that it takes to close your loan, may increase the cost of closing and may affect your interest rate. We recommend that you complete your original loan application accurately and completely prior to submitting. Once you receive confirmation of your rate lock, you should review the terms carefully and contact your mortgage consultant immediately if any corrections are needed.

### How long will it be before we will know if the loan is approved or not?

In most cases, between 24-48 hours from the time we receive your application. However, this is dependent on your credit scores and overall file.

### How long will it take to close the loan?

Loans can be scheduled in as little as 10 business days.

### How will my credit score affect my loan application?

Credit scores play a significant role when you apply for a loan. Higher credit scores help you to be eligible for more loan options. If you've had credit difficulties in the past, there are still mortgage programs available, and you should contact a Bethpage Mortgage Loan Officer to discuss all the possible options available to you.

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### Should I refinance?

The significant and most common reason for refinancing is to save you money. You can save a lot of money every month by lowering the interest rate on your current loan. How much you can save depends on many factors. You have to consider how much it will cost in fees in order to realize the savings in your payment. Saving money through refinancing can be achieved by obtaining a lower interest rate, which causes your monthly mortgage payment to be reduced or by reducing the term of the loan, which saves money over the life of the loan. Even if the fees get added on to the loan balance, they're still there.
You may also consider refinancing in order to convert your adjustable loan to a fixed loan. The main reason for this is to obtain stability and security offered by a fixed loan rate over the term of the loan.

### What are points?

An amount equal to 1% of the principal amount of a mortgage loan. Discount points are a one-time charge assessed at closing by lender to increase the yield on the mortgage loan to a competitive position with other types of investments. For instance, one percent of a $100,000 loan is equal to $1,000. You should discuss the possible tax deductions with your CPA or financial adviser.

### What does it mean to "lock a rate"?

"Rate locks" are a way of protecting from a possible rise in interest rates during the processing of your loan. At Bethpage, you can lock a rate up to 90 days. Generally

### What if I have little or no credit?

Use your good payment history on rent and utilities, as well as credit obtained through family members or friends. Provide a year's worth of canceled checks to validate consistent monthly payments. This information will become part of your application for the mortgage loan.

### What is Annual Percentage Rate (APR)?

The total finance charges for a loan that is expressed as a percentage. APR takes into account the total cost of a mortgage, including interest, closing fees, lender points, and other charges over the life of a loan.

### What is a Conventional Loan?

A mortgage or deed of trust that is not insured or guaranteed under a government insured program.

### What is a Convertible ARM?

The Convertible ARM has traits similar to the ARM loan, but offers an option for the borrower to change the mortgage to a fixed-rate loan during an early interest rate adjustment period.

### What is a Balloon Loan?

A note calling for periodic payments which are insufficient to fully amortize the face amount of the note prior to maturity, so that a principal sum known as a "balloon" is due at maturity.

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### What is a Good Faith Estimate?

When you file your application for a loan, the lender must, under the terms of RESPA, provide you with a Good Faith Estimate of settlement services that will likely incur. The estimate may be stated as either a dollar amount or a range for each charge.

### What is an Adjustable Rate Mortgage (ARM) and how does an ARM work?

An Adjustable Rate Mortgage (ARM) is a mortgage or deed of trust, which allows the lender to adjust the interest rate periodically as agreed to at the inception of the loan. The interest rate on an ARM is tied to a market index and is fixed for a specific period of time. Once that period of time is over, the interest rate is adjusted periodically (i.e. 6 to 12 months) following the changes in the interest rate of index that is associated with the loan. If you are interested in an adjustable-rate mortgage, it is important to discuss all of the features and options of an ARM with your Bethpage Mortgage Loan Officer so they can help you make an assessment of the best ARM to meet your specific needs.

### What is Hazard Insurance?

Hazard insurance is an insurance policy to protect homeowners against property damage. This premium prepayment is for insurance protection for you and the lender against loss due to fire, windstorm and natural hazards.

If a catastrophe does happen, hazard insurance should cover the costs to rebuild your home. Most Lenders often require you to get a policy before you buy or refinance a home and usually require you to pay the first year's premium at settlement.

### What is an Origination Fee?

A fee or charge for work involved in evaluating, preparing and submitting a proposed mortgage loan.

### What is P.I.T.I?

Principal, Interest, Taxes, and Insurance. The four components of a monthly mortgage payment. Principal refers to the part of the monthly payment that reduces the remaining balance of the mortgage. Interest is the fee charged for borrowing money. Taxes and insurance refer to the amounts that are paid into an escrow account each month for property taxes and mortgage and hazard insurance.

### What is Prepaid Interest?

This amount represents the interest that accrues between the close of your loan and the last day of the month in which the loan closes. Interest on your loan after that date is included in your regular monthly payments.

### What is Private Mortgage Insurance (PMI)?

PMI is insurance written by a private company that protects the lender against loss if you default on the mortgage.

### What is Title Insurance?

Title Insurance is an insurance policy that is issued by a company regarding title to real property.

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**What is a Truth in Lending Disclosure?**

Truth in lending disclosure is designed to give you information about the cost of your loan.

**What kind of documentation will I need to provide the lender for verification?**

As each loan has different variables, there is no single list of documents needed for all applicants. You should be prepared to provide copies of the following documents to your lender.

- Employment & Income Data W-2 tax forms,
- Past two years 1099's Pay stub showing current year-to-date earnings (two most recent stubs)
- Your job history and any explanation of a job change within the past two years.
- If self employed (defined as owning 25% of a business or more),
    - You need business and personal federal tax returns (two years, including schedules),
    - A current year-to-date profit or loss statement and a K-1 on all partnerships Assets Bank account statements,
    - Past two months Investment account statements Retirement account statements
    - Signed gift letter and transfer of funds verification

***Liabilities***

- Credit Cards - include account numbers and balances
- Auto loans and leases - account numbers and value of car
- Explanation and paperwork of any derogatory credit in the past seven years
- Explanation letter of any derogatory credit (bankruptcy, collection, foreclosure or default)
- Student and personal loans - include account numbers, monthly payments and balances
- Landlord address(s) for past two years and rental amounts

***Property & Realtor Information***

- Name and contact information of your Realtor (business card)
- Homeowners insurance information
- Rental or lease agreements
- Residence & address for past two years

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### What kind of things do I need to be aware of as a 1st time home buyer?

Buying a home can be the largest purchase in your life. Remember that you are in control of purchasing your home; so don't allow anyone to pressure you into making a purchase you are not comfortable with. Take your time and evaluate all your options before committing to a contract or a loan.

Here are some tips and questions to ask yourself as you start on your first steps to home ownership!

- Know how much you can afford first.
- Yourself, as well as the Realtor and Seller need to know if your can obtain financing.
- You need to know about available financing and special programs
- What about No Money Down financing?
- Are there any state sponsored programs available?
- Can I borrow the down payment?
- Are Gifts allowed?
- Can the Seller pay my down payment and closing costs?

### What are closing costs?

Are you unsure about something or have a question about what mortgage product is right for you? **Click here** to send an e-mail to a qualified Loan Officer or call 800-628-7070 ext. 5920.

### When should I choose a fixed-rate loan?

A fixed-rate loan offers a borrower the comfort of knowing exactly what their payments will be, month after month, for the life of the loan. Loan terms can range from 15, 20, 25, 30 and up to 40 years. In a low-rate environment, borrowers tend to prefer a fixed-rate product that can protect them from possible interest-rate increases.

### When should I choose an Adjustable Rate Mortgage or ARM?

Generally speaking, an ARM enables borrowers to secure a loan at an initially lower interest than a fixed-rate loan. This means a borrower has lower monthly payments for a specific period of time when compared to other loan options. Lower monthly payments may allow you to qualify for a higher loan amount.

### What should I do if I continually struggle to pay my bills?

The best thing to do is seek professional counseling to help you with your credit situation. Bethpage Federal Credit Union partners with Balance Pro as a free service to all Bethpage members who are in need of financial counseling or advice.
Certified counselors at Balance Pro provide proactive financial counseling and education by phone on a wide variety of financial issues: understanding credit and credit reports, housing counseling, savings plans, budget counseling, debt management and bankruptcy prevention.
Service is available Monday – Saturday, including evening hours too free at 888-456-2227

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### What should I do to help financially prepare for a home loan?

Here are a few tips to assist you when it comes to applying for a loan:

- Use cash instead of credit for your purchases.
- Avoid making any large credit purchases—the added debt could impact your ability to qualify for a loan.
- Contact creditors immediately if you have a problem or concern about your ability to make payments on time.
- Put money aside into savings so you'll have a financial cushion in case of an emergency.

### When should I pay points on a loan?

The decision to pay points on a loan depends heavily on your circumstances. In certain situations, it can be very advantageous for you to pay points on your loan. Generally speaking, the longer you plan to keep a loan the more sense it makes to pay points to get a lower interest rate. One way to determine this is to calculate the break-even point of how long you would have to keep the loan in order to save over the cost of paying points up front. If you are comparing two loans with the same interest rate, and one of them doesn't require you to pay points, then there is no reason to pay points.

Another consideration may be tax purposes. Points paid on a new home loan are immediately deductible as interest.

### Why should I buy, instead of rent?

A home is an investment. When you rent, you write your monthly check and that money is gone forever. But when you own your home, you can deduct the cost of your mortgage loan interest from your federal income taxes, and usually from your state taxes. This will save you a lot each year, because the interest you pay will make up most of your monthly payment for most of the years of your mortgage. You can also deduct the property taxes you pay as a homeowner. In addition, the value of your home may go up over the years. Finally, you'll enjoy having something that's all yours – a home where your own personal style will tell the world who you are.

### How much money will I have to come up with to buy a home?

Well, that depends on a number of factors, including the cost of the house and the type of mortgage you get. In general, you need to come up with

enough money to cover three costs: ***earnest money*** - the deposit you make on the home when you submit your offer, to prove to the seller that you are serious about wanting to buy the house; the ***down payment***, a percentage of the cost of the home that you must pay when you go to settlement; and ***closing costs***, the costs associated with processing the paperwork to buy a house.

### How do I know if I can get a loan?

Use our simple mortgage calculators to see how much mortgage you could pay - that's a good start. If the amount you can afford is significantly less than the cost of homes that interest you, then you might want to wait awhile longer. But before you give up, call a Bethpage Mortgage Loan Officer at 800-628-7070 ext. 5920 to find out about the available products and to get pre-qualified for a loan.

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**I know there are lots of types of mortgages - how do I know which one is best for me?**

Your Bethpage Mortgage Loan Officer will be able to help you choose the loan that is right for you.

**When I find the home I want, how much should I offer?**

Again, your real estate broker can help you here. But there are several things you should consider:

1) Is the asking price in line with prices of similar homes in the area?
2) Is the home in good condition or will you have to spend a substantial amount of money making it the way you want it? You probably want to get a professional home inspection before you make your offer. Your real estate broker can help you arrange one.
3) How long has the home been on the market? If it's been for sale for awhile, the seller may be more eager to accept a lower offer.
4) How much mortgage will be required? Make sure you really can afford whatever offer you make.
5) How much do you really want the home? The closer you are to the asking price, the more likely your offer will be accepted. In some cases, you may even want to offer more than the asking price, if you know you are competing with others for the house.

**What if my offer is rejected?**

They often are! But don't let that stop you. Now you begin negotiating. Your broker will help you. You may have to offer more money, but you may ask the seller to cover some or all of your closing costs or to make repairs that wouldn't normally be expected. Often, negotiations on a price go back and forth several times before a deal is made. Just remember - don't get so caught up in negotiations that you lose sight of what you really want and can afford!