Mortgage Calculator

Mortgages – 3 Important Factors

When buying a home for the first time, a mortgage can seem like a daunting thing that you don't understand. Here is some basic mortgage terminology that you need to know in order to make an informed decision.

- **Term** - A mortgage term is the length of time you have to pay off your loan. It could be anywhere from 10 years to 30 years. Like any loan, the longer you have to pay off your mortgage, the lower the payments will be. An important mortgage tip - in some cases, the shorter the term, the lower the interest rate.
- **Rate** - The "rate" is the interest rate, which basically defines how much you will be paying the bank to borrow money from them. The interest rate offered to you is dependent on your credit rating, how much money you are able to put down, how much money you make and the value of the home you're buying. Rates can also change depending on the loan program.
- **Cost** - Costs typically refer to closing costs, which are a part of every mortgage. You may see offers for "No Closing Costs" but these programs are rare. If you get a no closing cost loan, it usually means the mortgage company is making a large enough commission on your loan to cover the closing costs for you. Closing costs usually include an appraisal, recording fees on documents at the registry or deeds, attorney or notary fees and the like. Watch carefully for junk fees!

Choosing a Mortgage Term

The term of your mortgage is an important factor to consider when choosing your mortgage program. Obviously, the longer the term, the lower the payments - but low payments aren't on every person's mind. In fact, some people prefer to make larger payments towards their home loan because it will be paid off more quickly and because they are putting their money into an appreciating asset. Additionally, if you plan to rent or lease your property or a unit in your property, you'll make more money the faster you pay down your mortgage. The moral of the story is that larger payments are better as long as you can afford them. This doesn't mean you can't get a 30 year fixed mortgage and just be disciplined enough to make an extra payment or two throughout the year, but it does mean that the more money you put into your home, the better off you'll be.

Advantages to Using Mortgage Brokers

Finding the right home may seem like the hard part of a real estate transaction, but in reality, getting the best financing can be much harder. This is partially because we have so many options nowadays for mortgage loans and so many places to find them. A mortgage broker or your local bank can often lay out your options clearly. They will be armed with what you want in terms of loan term, ideal rate, targeted monthly payments and the like. If you're smart, you talk to them before you decide on your home so you really know your price range. Once you have your options from your local folks, go online and shop around. Some mortgage websites have so many lender partnerships that they are bound to find you a cheaper rate, shorter term or more competitive option - they just have greater resources! Don't feel bad either - this is your financial future and if your local folks can't offer the best mortgage options - that's life.

Adjustable Mortgages – Risk vs. Reward

Why do people take out ARM loans anyway? An ARM is an Adjustable Rate Mortgage and these can suit many people perfectly. The idea is that you have a term where your interest rate is fixed. This term can be as short as one month and as high as ten years. ARM loans are ideal for starter homes or condos, where you plan only to stay for 3-10 years and then you plan to sell. They can also be great for getting into the home of your dreams with a slightly lower payment. The risk is that when you refinance your mortgage, the interest rates may be higher, so although you are getting a great deal in the short term, your long term interests are not as clear. If you are in the financial industry and you follow interest rates, an adjustable mortgage is probably a great plan. The key is knowing when to refinance into a fixed rate mortgage to protect your long term property interests.

Paying Off Your Mortgage Loan Early

When you buy your first home and you see that 30 year term, it seems like you'll be paying for your home forever. There are ways to shorten your mortgage term without refinancing.

1. Pay a little extra every month towards your principal. You can usually add a dollar amount that specifically goes towards that and even if you can only afford $20.00, send it in. That is an extra $240.00 towards your principal each year.
2. Make one extra full payment a year. By doing this simple thing, you reduce your loan term by YEARS.
3. Don't spend money on frivolities. If you have extra cash on hand, invest it in your equity or in home improvements - especially the kitchen and bathrooms which will increase your home's value.

Prepayment Penalties on Adjustable Rate Mortgages

No matter which mortgage you choose, make sure you ask about prepayment. If you want to refinance down the road, you don't want the obstacle of a prepayment penalty to get in your way. Prepayment penalties are not the norm - they are usually associated with higher risk loans with higher interest rates. Basically, if you decide to pay off the loan, they will demand an amount of money as a penalty. This can be a fixed amount or a percentage of your loan. No matter which program your mortgage broker or mortgage website is suggesting, ask about prepayment penalties before you sign. This can mean thousands of dollars in savings down the line.

Funding the Costs of Your Reverse Mortgage

Many older people are taking advantage of reverse mortgages to help with living expenses. If your house is paid for, this may be a viable option for you. A reverse mortgage means you are taking a monthly draw from the equity in your home. It can mean the difference between being able to stay in your home as you get older, or having to sell it and move someplace else. A great mortgage tip - ask that your closing costs be paid out of your loan proceeds. This means you can secure a reverse mortgage for no out of pocket costs.

Choosing an Interest Only Mortgage Option

If you are looking to make a significantly lower payment for the first several years of your mortgage, an interest only mortgage may be the right program for you. The program is just as it sounds. You will be making payments only on the accruing interest of your home. You don't have to make payments towards your principal, which is why the payments stay so low. If you're smart, you won't use this program as an opportunity to buy a lot more house than you can afford. Calculate the affordability of the home according to making payments towards both the interest and the principal so that when the loan requires those payments, you are prepared. Don't be put off by this though - an interest only mortgage program can be great for select home buyers so talk to your mortgage broker about the option.

Choosing a Mortgage Broker

Today, finding a mortgage broker is easier than ever. Because of the internet, you are no longer forced to use local mortgage brokers - you can find great mortgage brokers and lenders on the internet that can offer better programs for better rates than ever. The key to choosing a mortgage broker is comfort. Are you comfortable with the person? Do they make you feel confident that they are guiding you to the right mortgage option? Remember, this is not a popularity contest. People often make buying decisions based on whether they like the person with whom they are dealing. Let that go and play the numbers game with your mortgage.

The Fastest Way to Obtain a Mortgage Loan

Getting a mortgage online has never been easier and offers many benefits. Online mortgage brokers usually have access to more lenders and programs and they can turn things around quickly. Because credit checks, loan applications and income verification have been automated so thoroughly, an online mortgage company can help you if you have a short closing date or need a fast refinance. Start with the major search engines when you want to find mortgage broker options. Better yet, try to find online reviews or get a referral. Make sure the site you choose has the Better Business Bureau seal and all of the information security precautions possible

Things to Know About Your Adjustable Rate Mortgage

When you choose an ARM loan, make sure you know some of the following facts, so that you are prepared when your fixed rate term ends.

1. When will your rate adjust the first time, and by how much? This could be any term from 1 month to 7 years, so make sure you know the date and you are prepared for the adjustment.
2. Be aware that the rate of your ARM will not shift only once. It's likely to shift regularly according to any changes in interest rates. Your rate can be determined by the US Treasury or the LIBOR index, do familiarize yourself with the right index and follow interest rates so you are well educated.
3. Be aware of your refinancing options. ARM loans can be great to start off in a home or condo, but you can easily refinance to a fixed rate loan. The key is to get a great interest rate on your fixed loan, so watch rates, keep in contact with your mortgage broker and make the move before you get into trouble with your ARM loan.

Getting a 'Flexible' Interest Only Mortgage

Interest only mortgage loans can be a smart option for you if you are self disciplined. They offer a flexible payment schedule where you are only required to make a payment towards the interest of your loan, but you also have the option to pay toward the principal. In most cases, your interest only mortgage coupon will even lay out pre-calculated options for payments towards principal. If you have an interest only loan, make it work for you - be disciplined and pay off as much as you can. By all means, take advantage of the payment flexibility when you need to, but put money towards your equity whenever possible.