Classic Mortgage Corporation
NMLS #140014

104 S Michigan Ave
Vicksburg MI 49097

phone 269.649.1371
fax 269.649.1389

Frequently Asked Questions

We have created this FAQ page to answer some of the most common questions we are asked before or during the mortgage application process. It is our goal to make your home buying experience pleasant and to keep you educated along the way.

Q: ***I really want to own my own home, but I'm not sure I can afford it. Where do I start?***

A: Lots of people don't even consider buying a home because they're afraid they can't afford it. But for most people, home ownership is within reach. In fact, for many, home ownership is as affordable as renting – in some cases even more affordable. You can easily start the process by giving us a call today at 269-649-1371 and speak with a Mortgage Consultant.

Q: ***How do I know how much of a house I can afford?***

A: Before you start looking at homes, you need to have some idea of what you can afford. This is referred to as getting "pre-qualified" for a mortgage before you shop for a home. As a general guide, you can purchase a home with a value of two or three times your annual household income, depending on your savings and debts. If you'd like to know exactly how much you can afford, talk to one of our Mortgage Consultants. Getting "pre-qualified" for a mortgage is not the same as making formal application and being "Approved" for a mortgage.

Q: ***Should I get pre-approved for a mortgage before I shop for a home?***

A: Getting "approved" for a mortgage is an important step before you shop for a home. It tells you how much home you can buy and gives you leverage with a seller in negotiating the best possible terms of the sale and you will get some suggestions on how to structure your purchase offer agreement.

Q: ***What are the costs in obtaining a mortgage?***

A: Costs can be divided into three main categories:

- **Lender Fees.** Fees can include origination and points.

Classic Mortgage Corporation
NMLS #140014

104 S Michigan Ave
Vicksburg MI 49097

phone 269.649.1371
fax 269.649.1389

- **Third-Party Fees.** These fees vary depending on the service. Such fees include appraisal, credit, courier, inspections, recording fees, title insurance, and fees for closing.
- **Pre-paid Items.** "Pre-paid" items are exactly what the name implies – payments being paid in advance of the monies being due. These are items collected at the time of closing but are not really considered costs. For example, mortgage interest that will accrue between the date of closing and the end of the month, real estate taxes and hazard insurance paid into an escrow account.

You'll be provided with an estimate of your closing costs soon after your application is received. These estimates will change if you change the product type or loan amount. If this should occur, be sure to ask how the changes will impact your closing costs.

Q: ***Can the seller pay for my closing costs and pre-paid items?***

A: Yes. The amount of seller contributions varies between loan programs. For instance, FHA loan – seller can pay up to 6%. VA loans – seller can pay up to 4%. Investment home – seller can pay up to 2%. And on Conventional loans for primary or secondary residence, it depends on your down payment. With 5% down, seller can pay up to 3%, with 10% down, seller can pay up to 6% and with 15% or more down, seller can pay up to 9%.

Q: ***How do I choose a mortgage lender?***

A: When most people think about choosing a mortgage lender, they think about finding the lowest rate. Of course, financial considerations are important to every home buyer, and you certainly should consider the different rates lenders in your area offer on comparable loans. However, you also want a lender you can trust, and someone you can work with effectively. So don't let rates be your only criterion.

Q: ***What's the difference between a fixed rate and an adjustable rate mortgage?***

Classic Mortgage Corporation
NMLS #140014

104 S Michigan Ave
Vicksburg MI 49097

phone 269.649.1371
fax 269.649.1389

A: All mortgages fall into one of these two categories – that is, the interest rate you pay is either the same (fixed) for the life of the mortgage, or it can change (adjust) over the life of the mortgage.

Fixed-Rate Mortgages:

With this type of mortgage your monthly payment for interest and principal never change. Property taxes and homeowners insurance may increase or decrease, but generally your monthly payments will be very stable.

Fixed-rate mortgages are available for 30 years, 25 years, 20 years, 15 years and even 10 years.

Adjustable-Rate Mortgages (ARMs):

These loans generally have an initial interest rate that is lower than a comparable fixed rate mortgage, and could allow you to buy a more expensive home.

However, the interest rate changes at specified intervals (for example, every year) depending on changing market conditions; if interest rates go up, your monthly payment goes up too. However, if rates go down, your monthly payment will also drop.

There are also mortgages that combine aspects of fixed and adjustable rate mortgages – starting at a low fixed-rate for seven to ten years, for example, and then adjusting to market conditions. Ask your mortgage lender about these and other special kinds of mortgages that fit your specific financial situation.

Q: ***How do I know which type of mortgage is best for me?***

A: There isn't a single, simple answer to this question. The right type of mortgage for you depends on many different factors:

- Your current financial picture;
- How you expect your finances to change;
- How long you intend to keep your house;
- How comfortable you are with your mortgage payment changing from time to time? For example, a 15-year fixed rate mortgage can save you thousands of dollars in interest payments over the life of the loan, but your monthly

Classic Mortgage Corporation
NMLS #140014

104 S Michigan Ave
Vicksburg MI 49097

phone 269.649.1371
fax 269.649.1389

payment will be higher. An adjustable rate mortgage may get you started with a lower monthly payment than a fixed-rate mortgage, but your payments could get higher when the interest rate changes.

The best way to find the "right" answer is to discuss your finances, your plans and financial prospects, and your preferences in detail with one of our Mortgage Consultants.

Q: ***How much will my credit history affect my ability to get a mortgage?***

A: Your credit score is only one component of your mortgage application, but it is an important one. Most mortgage lenders look at scores from all three major credit reporting agencies – Equifax, Experian, and TransUnion – and work off the middle score. Your credit score, as well as the information on your credit report, are key ingredients in determining whether you'll be able to get a mortgage, and the rate you'll pay.

Many buyers are worried about this issue. You can obtain a free copy of your credit report once a year from the following website: www.annualcreditreport.com. This free report does not include credit scores. However, they can be requested for an additional charge. If there are any errors you can take steps to correct them before you make your application by contacting each credit bureau and disputing the item(s) in error.

If you have had credit problems, be prepared to discuss them honestly with your Mortgage Consultant and come to your application meeting with a written detailed letter of explanation.

Q: ***What determines my interest rate?***

A: Rates vary primarily based on the type and purpose of the loan, your credit history, loan amount and value of the property.

Q: ***What is an escrow account?***

A: A mortgage escrow account is much like a non-interest baring savings account attached to your mortgage. It is used to make payments for real estate taxes and homeowners insurance on your behalf. To make those payments, we collect

Classic Mortgage Corporation
NMLS #140014

104 S Michigan Ave
Vicksburg MI 49097

phone 269.649.1371
fax 269.649.1389

escrow funds as part of your monthly mortgage payment. This ensures that your bills are paid in full and on time, without you having to budget for these large payments separately.

Q: ***Once I sign my application, am I committed to borrow the money?***

A: Some people feel like once they have signed an application they are obligated to borrow. That is not true. In fact, none of the documents you sign are contractual until you are actually at closing and sign your Note and the loan is disbursed. By making loan application and signing your mortgage application documents, you are simply applying to get approved to obtain financing. You are not obligated for the loan transaction until you sign your closing documents.