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10 Questions to Ask Your Lender

Be sure you find a loan that fits your needs with these comprehensive questions.

1. What are the most popular mortgage loans you offer?
2. Which type of mortgage plan do you think would be best for us? Why?
3. Are your rates, terms, fees, and closing costs negotiable?
4. Will I have to buy private mortgage insurance? If so how much will it cost and how long will it be required? NOTE: Private mortgage insurance usually is required if you make less than a 20 percent downpayment, but most lenders will let you discontinue the policy when you've acquired a certain amount of equity by paying down the loan.
5. Who will service the loan? Your bank or another company?
6. What escrow requirements do you have?
7. How long is your loan lock-in period (the time that the quoted interest rate will be honored)? Will I be able to obtain a lower rate if they drop during this period?
8. How long will the loan approval process take?
9. How long will it take to close the loan?
10. Are there any charges or penalties for prepaying the loan?

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10 Things a Lender Needs From You

1. W-2 forms or business tax return forms if you're self-employed for the last two or three years for every person signing the loan.
2. Copies of one or more months of pay stubs from every person signing the loan.
3. Copies of two to four months of bank or credit union statements for both checking and savings accounts.
4. Copies of personal tax forms for the last two to three years.
5. Copies of brokerage account statements for two to four months, as well as a list of any other major assets of value, e.g., a boat, RV, or stocks or bonds not held in a brokerage account.
6. Copies of your most recent 401(k) or other retirement account statement.
7. Documentation to verify additional income, such as child support, pension, etc.
8. Account numbers of all your credit cards and the amounts of any outstanding balances.
9. Lender, loan number, and amount owed on other installment loans—student loans, car loans, etc.
10. Addresses where you lived for the last five to seven years, with names of landlords, if appropriate.



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6 Creative Ways to Afford a Home

If your income and savings are making homebuying a challenge, consider these options.

1. Investigate local, state, and national downpayment assistance programs. These programs give loans or grants to cover all or part of your required downpayment. National programs include the Nehemiah program (<http://www.getdownpayment.com>) and the American Dream Downpayment Fund from the U.S. Department of Housing and Urban Development (<http://www.hud.gov>).
2. Get the seller to provide financing. In some cases, sellers may be willing to finance all or part of the purchase price of the home and let you repay them gradually, just as you do a mortgage.
3. Consider a shared-appreciation, or shared equity, arrangement. Under this arrangement, your family, friends, or even a third-party may buy a portion of the home and thus share in any appreciation when the home is sold. The owner/occupant usually pays the mortgage, property taxes, and all maintenance costs, but all investors' names are usually on the mortgage. There are companies that can help you find such an investor if your family can't participate.
4. Get help from your family. Perhaps a family member will loan you money for the downpayment and/or act as a cosigner for the mortgage. Lenders often like to have a cosigner if you have little credit history.
5. Lease with the option to buy. Renting the home for a year or more will give you the chance to save more toward your downpayment. And in many cases, owners will apply some of the rental amount toward the purchase price. You usually have to pay a small, nonrefundable option fee to the owner.
6. See if you can qualify for a short-term second mortgage to give you the money to make a higher downpayment. This may be possible if you have a good income and little other debt.



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Choices That Will Affect Your Loan

- 1 **Mortgage term.** Mortgages are generally available at 15-, 20-, or 30-year terms. The longer the term, the lower the monthly payment if the same amount is borrowed. However, you pay more interest overall if you borrow for a longer term.
- 2 **Fixed or adjustable interest rates.** A fixed rate allows you to lock in a low rate for as long as you hold the mortgage and is usually a good choice if interest rates are low. An adjustable-rate mortgage (ARM) is designed so that interest rates will rise as interest rates increase; however they usually offer a lower rate in the first years of the mortgage. ARMs also usually have a limit as to how much the interest rate can be increased and how frequently they can be raised. ARMs are a good choice when interest rates are high or when you expect your income to grow significantly in the coming years.
- 3 **Balloon mortgages.** Balloon mortgages offer very low interest rates for a short period of time—often three to seven years. Payments usually cover only the interest, so the principal owed is not reduced. However, this type of loan may be a good choice if you think you will sell your home in a few years.
- 4 **Government-backed loans.** Government-backed loans, sponsored by agencies such as the Federal Housing Administration (www.fha.gov) or the U.S. Department of Veterans Affairs (www.va.gov), offer special terms, including lower downpayments or reduced interest rates—to qualified buyers.

Slight variations in interest rates, loan amounts, and terms can significantly affect your monthly payment. For help in determining how much your monthly payment will be for various loan amounts, use Fannie Mae's [online mortgage calculators](http://www.fanniemae.com/homebuyers/calculators/index.jhtml?p=Resources&s=Calculators) at <http://www.fanniemae.com/homebuyers/calculators/index.jhtml?p=Resources&s=Calculators>



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